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JANUARY 1976

Nation's Business

THE OUTLOOK FOR 1976

—WHAT BUSINESSMEN SEE NOW



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We are Moneysworth, the authoritative, wallet-fattening fortnightly newspaper now read by over **THREE MILLION** ecstatic, recession-scoffing devotees. We specialize in presenting shrewd advice on how to have more money.

Take a look at the kinds of inflation-defying, high-interest, Midas-touch articles Moneysworth prints:

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The Amazing New Two-Engine Car
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Is Cancer Contagious? Startling New Findings
Longevity Linked to Light Eating

In short, Moneysworth is a live wire sparking off hot information on the current money scene. It galvanizes readers all over the country into sending us ardent fan letters like these:

• "Thanks to Moneysworth, I am \$5,417 richer. I battled the Social Security Administration unsuccessfully for 18 months, then finally won out by following your advice 'By All Means, Appeal'."—S. Dominguez; Waterbury, Conn.

• "Your article on the 15% interest paid by Mexican banks has made it possible for me to retire in style."—Eric T. Svenson; Fallbrook, Calif.

• "Your article on air-fare 'triangular' routes was an astonisher. My wife and I saved \$100 each on a trip to New York by stopping off at Las Vegas as you suggested."—H. Kessel; Los Angeles.

• "You're not going to believe this, but I

have parlayed \$146 into \$90,000 thanks to your informative article on breaking into real estate."—Horace T. Pinrose; Montgomery, Iowa.

• "Your write-up on income averaging for tax purposes saved us \$1,100 this year. We didn't realize retirees could do this."—Mr. & Mrs. J. W. Long; Morro Bay, Calif.

• "Your recommendation that readers reduce orthodontic bills by having the work done at a university dental school saved \$1,350 on my daughter's teeth."—Bob Walters; Oxon Hills, Md.

• "Your advice on Social Security resulted in a \$3,135 lump-sum cash payment to my wife, and \$171 monthly pension. The best investment I ever made was a subscription to Moneysworth."—Dr. Herman W. Hortop; La Grange, Ill.

• "Your tip about deducting the cost of transportation between my two teaching jobs saved me in taxes at least the cost of a ten-year subscription. Not only that, but your publication is lively, off-beat, a delight to read."—Professor Reuben Garner; State University College; Brockport N.Y.

• "Thanks to your article 'How to Buy a New Car for \$125 Over Dealer's Cost,' I just bought a Chevy at a saving that I conservatively estimate at \$350."—Ron Bromert; Anita, Iowa.

• "Moneysworth's product ratings sure stretch the dollar. I bought the Canonet 35MM rangefinder camera which you recommended, and saved 30%."—Robert D. Goodrich; Tucson, Ariz.

• "Your article 'How to Fight a Traffic Ticket' saved me a \$200

lawyer's fee and a ticket."

—W.R. Wendel; Hicksville, N.Y.

• "Your article on how to save \$100 on a color TV worked. Moneysworth sure knows how to hold onto the green."—P. Allen; Dir. Student Union; Henderson College; Arkadelphia, Ark.

• "Your article on 'coupon refunding' got my husband and me hooked on the hobby. It saves us enough each year to pay for our vacation."—Grace Ellen Feingold; Brooklyn, N.Y.

• "Your suggestion that readers buy \$200-deductible car insurance instead of the usual \$50-deductible saved me *hundreds* of dollars. Insurance salesmen hate like hell to sell it because there's little profit in it for them, but it sure saves me money."—Gary W. Goodwin; Sunland, Calif.

• "You sure did us a good turn recommending Mayflower for our move from California to Minnesota. The bill was a hundred bucks under the estimate?"—Donald J. Ganier; Owatonna, Minn.

• "Moneysworth's investment news dispatches enabled me to make over \$2,200 in less than a year. Yours is one of the most intelligent, down-to-earth, to-the-point periodicals I've ever read."—Ruth Pantell; Yonkers, N.Y.

• "Your article on TV game shows gave me confidence to try for 'The \$10,000 Pyramid.' I won \$850!"—Ted Zammit; Franklin Square, N.Y.

• "Your suggestion that I use a fake name in the phone directory, instead of paying \$1 per month for an unlisted number, alone pays for my Moneysworth subscription several times over."—Carlyle B. Russell; New York.

• "Your report that dentures cost only \$40 at the Sexton-Shealy Dental Clinic of Florence, South Carolina, saved me *hundreds* of dollars. They fitted me up in 24 hours and I completed the entire procedure during a vacation to Florida."—Mrs. H. Petruccio; Frackville, Pa.

• "Moneysworth is aptly named. To paraphrase Churchill, 'Never have so many paid so little for so much'."—D. Alperin; Pittsburgh, Pa.

As you can see, reading Moneysworth is like being born with a silver spoon in your mouth. It is absolute protection against the ups and downs of economic fortune.

The price of a 32-Week Special Introductory Subscription is **ONLY THREE DOLLARS!** That's right, just three smackers, greenbacks, simoleons, frogskins, shinplasters.

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*Tires are covered by their own manufacturer.

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Nation's Business

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EDITOR'S MEMO

Good Business News for 1976

A HAPPY WAY to begin the new year is to see better sales and profits ahead.

That's what businessmen see, judging by responses to the NATION'S BUSINESS quarterly outlook survey.

Remember, these are the views of men and women in management, like yourself, who deal daily with the problems of business.

"The Outlook for 1976—What Businessmen See Now" (page 19) is good news. The survey indicates a strong belief that the current direction in the economy will continue.

There are still major concerns, of course. For one thing, inflation remains a prime worry for almost every businessman.

The administration and Congress could well take note of how businessmen responding to the survey feel about what is and isn't being done to fight inflation. The responses should be of particular concern to elected officials in an election year.

This is an election year of great concern to business people. All seats in the House of Representatives and a third of the seats in the Senate will be voted on, as will the presidency. Much will ride on the outcome.

On page 30 is an article about the new rules from Washington that deal with business support of federal office-seekers. The article, "What You Can Do Now to Support Candidates," discusses some of the more significant actions you can take within the new rules.

As a businessman, you will need to know about these rules. The editors of NATION'S BUSINESS hope you find this report useful.

A good many people complain that their feelings about issues never seem to sway officials at any level of government. Well, ballots—the ballots of every person who exercises the right

to vote—are what put elected officials into office. And elected officials pay attention to those who vote.

Your personal participation in the electoral process is another way to ensure that your views affect Washington, your state, and your community.

You can have an important impact on elections not only by supporting candidates, but by improving the



Mr. Letton

general climate of public opinion about American business. Votes stem from opinions, of course, and millions of Americans having alarming misconceptions about the private enterprise system. Harry P. Letton, Jr., president of the Southern California Gas Co., offers some ideas on what you and your company can do to clear up these misconceptions. An article by Mr. Letton, "Ways to Tell the Business Story," is on page 68.

During times of economic turmoil, the problem of what personal investment route to take is a difficult one. The well-known investment counselor, David L. Babson, deals with this problem in an interview on page 54. While others in the investment field may prefer routes that are different than Mr. Babson's, you will find the interview, "How to Protect Yourself Against Inflation," worth reading.

Also useful for every business person is "Labor's Washington Strategy" (page 26), a preview of union goals in 1976. There's a big price tag on many of the programs organized labor is urging on Congress, and it will help you in business to be aware of what these programs are.

Like you, John values enterprise system. It offers freedom that only being in for himself can provide. He enjoys the challenge responsibility for making own. Like you, he is because he works long to make it happen.

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How Companies Emphasize Communication

Don Maher is director of communications, Airco, Inc., Montvale, N.J. He has a staff of 11. He reports to Airco's board chairman and chief executive officer.

John Chase is vice president, corporate relations, at Transamerica Corp., San Francisco. He has a staff, too, to handle public relations and employee communications.

He reports to the company president.

"That's not the way it used to be," says Jack O'Dwyer, publisher of O'Dwyer's Directory of Corporate Communications.

"At one time, these people were called press agents. In fact, they spent most of their time writing handouts for magazines and dailies.

"Now, they're top corporate officers. Many handle employee communications, community relations, government liaison, and financial information, as well as the press.

"Their duties are broader, their titles bigger, and their status loftier."

In some companies, Mr. O'Dwyer adds, they are in charge of the company's charitable gifts and other contributions.

His directory covers some 1,300 of the nation's largest firms, including industrial, life insurance, financial, and transportation companies and banks and utilities. They employ about 6,300 professional communicators.

One third of the companies supply budget information to the directory.

Here's a breakdown by size of their annual public relations budgets:

Annual budget	Number of companies
Under \$250,000	138
\$250,000-\$500,000	108
\$500,000-\$1 million	68
\$1 million-\$1.5 million	34
\$1.5 million-\$2 million	13
\$2 million and up	51

The directory (\$55, J.R. O'Dwyer Co., Inc., 271 Madison Ave., New York, N.Y. 10016) is a who's who of corporate communication executives. It's also a useful guide to the way America's larger firms organize their communications departments.

How to Tell When a Bull Market Ends

There are warnings galore, says one investment counselor. For example:

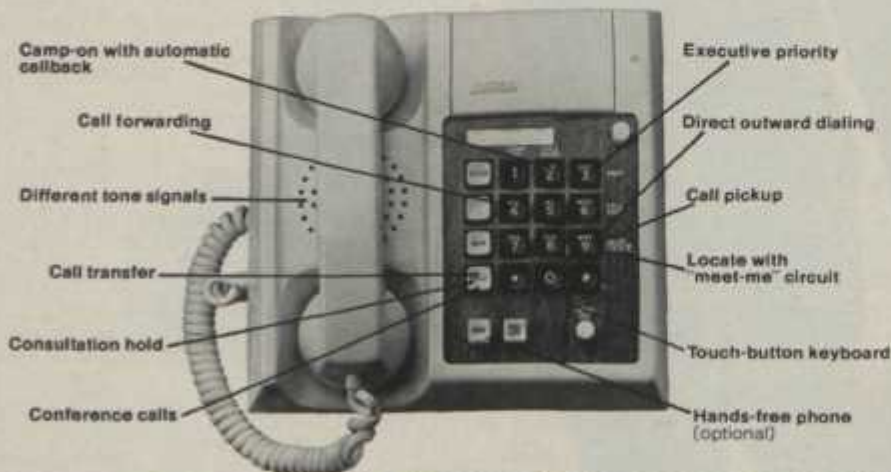
- The public is bullish.
- Tape watchers crowd brokerage offices.
- Hot tips abound from barbers, bartenders, and waitresses.
- Professional market advisers are all euphoric.
- Your friends are making a bundle investing in stocks.
- One of the news weeklies does a cover story on the bull market.

Those are psychological red flags, says the investment counselor, Yale Hirsch, author of *The Stock Trader's Almanac*. Also, he adds, storm signals fly from Washington:

- The Federal Reserve Board clamps down on the money supply, making funds scarcer and interest rates higher.
- You have to put up more cash to buy stocks on margin.

The economic news, Mr. Hirsch adds, begins to take on this kind of pattern:

- Auto sales reach all-time highs.
- Corporate profits bulge.
- Factories work to capacity, and



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WHY JOHN MARRS USES A PITNEY BOWES POSTAGE METER TO MAIL A DOZEN LETTERS A DAY.

Even though Jaydee's Cycle Shop in Marietta, Georgia, is one of the biggest BMW dealerships in the South, BMW is just one of the top names you'll find among the forty or so bikes exhibited.

When the owner, ex-Air Force flight engineer John Marrs, isn't taking care of Jaydee's customers, he's taking care of Jaydee's outgoing mail.

Registrations. Correspondence with distributors and manufacturers. Seasonal promotional pieces. Christmas cards. It's all essential and it has to get out.

But it seems that as small as his office was, John still found plenty of room to lose or misplace his stamps.

So just about three years ago, John decided Jaydee's could use our desk model postage meter.

Since then he has had the conveniences of no more missing stamps, fewer trips to the post office, and printing postage on tape for parcels. A necessity for Jaydee's, since John mails parts to customers and manufacturers regularly.

John also likes the way the meter stamp can speed his mail through the post office faster, since it's already been postmarked, dated, and cancelled.

Whatever superlatives John uses for his postage meter, he uses for his Pitney Bowes copier, too. "I'm proud of that machine," and "I honestly don't know how I did without it," are understandable remarks considering he no longer has to run out to the local copying center and pay 25¢ apiece for every piece of correspondence, every contract, every performance test he needs copied.

Jaydee's has more than doubled in size since John started out four and a half years ago. We like to think our two machines are part of the reason.

Write us about what Pitney Bowes can do for your business. Pitney Bowes, 1343 Pacific Street, Stamford, Conn., 06904, or call one of our 190 offices throughout the U.S. and Canada.



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Phil Gordon, VP, Sommelier

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Executive Trends *continued*

overtime and the length of the average workweek increase sharply.

Then Wall Street begins to flash warnings:

- Stocks stop rising on good news.
- The number of daily highs fails to reach prior peaks.
- Margin debt begins to flatten or fall.
- The gap widens between yields on corporate bonds (going up) and on dividends (going down).

The almanac (\$9.95, The Hirsch Organization, Inc., Old Tappan, N.J. 07675) doesn't say there will be a bull market end in 1978. However, it sums up its view of the bicentennial year like this: Great for patriots but likely to be poor for investors.

Fed Up With Bureaucracy?

Is there too much government in our lives?

Three out of four Americans think so. That's what a recent Citicorp survey shows.

What's more, the poll indicates, Americans are fed up with bureaucratic red tape, buck-passing, and overregulation. They disbelieve government's claim that it protects the little guy.

And if government cut down on the paper-shuffling, they feel, taxes would be reduced.

Citicorp's survey was comprehensive. It covered blue and white-collar workers, executives, both sexes, and ages from 18 on up. Here are some of the results:

	Percent	
	Agree	Disagree
Too much government red tape?	90.6	3.5
Bureaucrats buck complaints from desk to desk?	84.7	7.7
Reducing red tape would lower taxes?	79.0	14.8
Too much government control of our lives?	74.5	19.6
Government protects the little guy	24.2	70.1

Totals don't add up to 100 because some answers were don't-knows.

Business doesn't get an overwhelming vote of confidence, either. Asked if business has too much control over people's lives, 68.2 percent agree, 25.9 percent don't.

Blue-collar workers are the occupational group most critical of the business role. A big majority, 74.4 percent, agree that business has too much power over people. Only 64 percent of white-collar workers do.

How about executives? They're in between white-collar and blue-collar workers: 67.8 percent agree, 26.2 percent don't.

Executive Recruiters —Here and Abroad

Ireland has at least two search firms.

Fiji has three and Finland half a dozen.

Those and some 600 others are listed in the new International Directory of Executive Recruiters (\$11, Consultants News, 17 Templeton Road, Fitzwilliam, N.H. 03447). The directory includes firms in 42 countries from—alphabetically—Algeria to Venezuela.

"The book's of particular interest," says publisher James H. Kennedy, to companies seeking to locate executives in specific cities or countries abroad.

"In most cases, the local professional affiliation of each firm is given. Also, the name of its U.S. or Canadian affiliate, if it has one."

The book is a companion volume to Consultants News' Directory of Executive Recruiters (\$6). The latter lists some 1,000 search firms in the United States, Canada, and Mexico.

This North American directory also lists separately employment agencies which locate jobs for executives as well as for others—but charge the company when the executive signs on.

All professional search firms, the Association of Executive Recruiting Consultants, Inc., points out, charge the corporate client for recruiting an executive.

"Once more," says publisher Kennedy, "recruiters are saying that 'confidential' resumes are crossing their desks. It's a sign that executives are no longer afraid to stick their heads up and test the job-change waters."

That means, he adds, that "look around" is displacing "hang in there."

A Love Affair With the Supreme Court

Let me write this month, if I may, about a love affair. This is a love affair that began on a May morning nearly 35 years ago and continues as warmly—if as one-sidedly—to this day. The resignation of Justice William O. Douglas and the nomination of Judge John Paul Stevens to succeed him stir the embers of recollection; for the love affair, you will understand, embraces the Supreme Court of the United States.

I had come to Richmond in March of 1941 as a cub reporter for the *Richmond News Leader*, 20 years old, fresh caught from Missouri. Then, as now, the cubs had to take their days off in midweek, so their seniors could enjoy the weekends. On a Tuesday early in May, I boarded the first morning train to Washington, walked up the hill to the Capitol, and began to look around.

How I managed to wind up at the Supreme Court, I cannot say, for I knew nothing of the law beyond some cursory instruction in the law of libel. But that is where I went, floating along in a minnow swarm of tourists. It was love at first sight. People speak of the majesty of the law, and that word majesty speaks eloquently of the court in session: tradition, ritual, costume, ceremony. I sat entranced.

Hughes was still chief justice then; he looked like all my Sunday school pictures of God. Douglas had come to the court two years earlier. Stone was there, and Roberts, Black, Reed, Frankfurter. Memory dims. I have a vague recollection that some tax case was being argued, and another vague recollection that the case involved the state of Oklahoma, but these may have been other cases, other days. No matter. I was in love.

No instrument of government in the United States—no instrument of

government in the world, for that matter—matches the Supreme Court. Prof. Fred Rodell once termed the men who sit at that bench the most powerful and least accountable of all men in the world who govern other men, and this is precisely true. To serve as one of the nine is to serve at the top of Olympus. It was not surprising that the TV networks interrupted their beloved game shows and soap operas a few weeks ago, when the President announced the Stevens nomination. As one of the nine, an associate justice has big power; and big power is big news.

It was not always so. When the Constitution was written and ratified, the ultimate role of the court was dimly seen. Writing in *The Federalist*, Hamilton took pains to minimize the judges' place. A powerful executive, he noted, would command the armies; a powerful legislature would control all taxing and spending. "The judiciary, on the contrary, has no influence over either the sword or the purse; no direction either of the strength or of the wealth of the society; and can take no active resolution whatever. . . . This simple view of the matter proves incontestably that the judiciary is beyond comparison the weakest of the three departments of power."

In the beginning, it looked as if Hamilton's prophecy had substance. The Supreme Court heard no cases at all in its first two years. George Washington's first appointments were unimpressive. Rutledge thought so little of the court that he resigned to become chief justice of South Carolina; Washington had to offer the seat to three different prospects before he found a taker. Chief Justice Jay, bored by his office, twice ran for governor of New York without

troubling to resign from the court. Cushing lapsed into senility. Wilson got involved in land scandals and ended his days fleeing from his creditors. When the Capitol was built, the architects clean forgot to provide room for the peak of Olympus.

It wasn't until Marshall came on the court in 1801 that an understanding began to develop of what the founding fathers had contrived. They may not have understood it clearly themselves: They had tossed off a work of genius. Members of the House of Representatives would serve for two years, Presidents for four, senators for six—but members of the court would serve "during good behavior," which has proved to be for life. Thus, a President could extend his influence, for good or ill, long after he had left his office. Through John Marshall, crusty old John Adams could keep his hand on government for 35 years, while Jefferson raged and Jackson fumed. When Douglas resigned this past November, Franklin Roosevelt had been dead for three decades. In the person of Justice Rehnquist, now 51, the conservatism of Richard Nixon may be felt almost to the next century.

This sense of continuity is among the most absorbing aspects of the court. When Hugo Black died in 1971, he was only the sixth link in a chain reaching back, through Van Devanter, Brewer, Miller, and Wayne, to John Marshall in 1801. At the time of his retirement in November, Justice Douglas had served with one fourth of the men ever to sit on the court; he had served under five of the 14 chief justices. Visitors to the court seldom have to be admonished into silence; they are quieted by the history all around them.

The 101 men who have served on

A Love Affair With the Supreme Court *continued*

the court have ranged from good to indifferent to bad. In the view of many observers, fewer than a dozen have reached the rank of greatness. With the departure of Douglas, sad to say, the court slips into a kind of ebb tide. Like him or loathe him, Douglas was a flaming presence. He was a jurist of strong convictions, strongly voiced; he could write the singing line. Law is not a dull business. It is a passionate business, but the court as it is now constituted keeps its fires well banked. This is probably a good thing; the passionate impulses of the Warren years were perhaps enough to last a generation, but an aging lover may be forgiven a small sigh. A little excitement would be welcome.

A point worth emphasizing is that the court, for all its timelessness and majesty, is a court of mortal men. One of our most cherished myths, annually expounded on Law Day, is that ours is "a government of law, not of men." This is nonsense; at least, it is mostly nonsense. Laws do not enforce themselves; they must be enforced by men. Neither do laws interpret themselves; they must be interpreted by men. At the level of the Supreme Court, where the final, binding interpretations must be made, we necessarily submit to men and not to divine intimations. The Constitution seldom changes, but the judges change—and thus the living Constitution becomes an extension of the living human beings who at any given moment make up a majority of the court. Hughes was right: The Constitution is indeed, in the end, what the judges say it is. And Stone was right also: The only effective restraint upon the court is the members' own sense of self-restraint.

The court, in this regard, is unique. Every other aspect of our government is subject to effective checks and balances. For all practical purposes, the court is subject to none at all. The founding fathers, who soundly feared excessive power, did not plan it that way. They created one check in advance, in the Sen-

ate's power to reject a presidential nominee to the court, and they contrived four or five others by way of prospective restraint: impeachment, statutory limitation on appellate jurisdiction, prospective increases in the size of the court, constitutional amendment to overturn a judicial construction.

None of these has worked. The threat of impeachment, as Jefferson said many times, was a mere scarecrow. No proposal to limit appellate jurisdiction has commanded support. The court has been fixed at nine members for more than a century, and any effort to reverse a judicial trend by enlarging the court would be hooted down as "packing." The amendatory process has been invoked, principally to validate a federal income tax, but as current debates over an antibusing amendment clearly demonstrate, the process is tedious. The Supreme Court is, indeed, supreme.

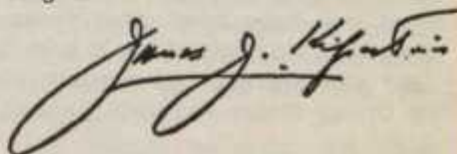
Should the court be made subject to some more structured restraint? Love affair or no, I have come to believe that the assets of life tenure are outweighed by the liabilities. Jefferson went through the same change of mind. In 1789, he thought well of the "good behavior" provision. By 1821, he was convinced that "this ought not to be." He urged that appointments to the federal bench be "for four or six years, and removable by the President and Senate." My own thought would be to name federal judges for terms of, say, eight years, and then to require their reconfirmation by the Senate. Such is the respect accorded the judiciary that not one judge in 50 would be challenged at the end of his term, but the mechanism would provide a useful means, short of impeachment, for removal of a judge patently unfit for service. Sen. Harry F. Byrd, Jr., of Virginia, has been urging such a constitutional change for many years, but his proposal has gained no support. The rule of life tenure appears firmly fixed.

All these considerations surround

the nomination procedure. In the 19th century, the Senate tended jealously to preserve its power "to advise and consent." Eight nominees to the Supreme Court were rejected. In this century, the Senate has rejected three—and two of these rejections were to the shame of the Senate. To judge from the extended hearings in recent years, the Senate once again is taking its duty seriously; and so long as confirmation is kept free of purely partisan politics, this is surely a good thing. We ought to know as much as possible about the mind of a Supreme Court nominee; once confirmed, he is likely to be on Olympus a long time.

The resignation of Douglas will have little effect on trends in the law. The number of five-to-four decisions has dwindled in recent terms, and Douglas provided a decisive swing vote in only a handful of major cases. Brennan and Marshall may be a little lonelier in dissent, but the court's steady course will continue. None of the landmark decisions of the Warren years will be toppled; in such areas as desegregation, equal voting rights, and the protection of an accused person in a criminal proceeding, we can expect about what the Burger court has been providing. Judicially speaking, these are quiet times.

And fine with me. The law has to have periods of growth, and periods of rest as well. Those who love the institution can be certain that one of these years, as justices come and go, the majestic courtroom once again will be packed with breathless spectators awaiting decision in a landmark case. The great ghosts will be looking on—John Marshall, Roger Taney, Charles Evans Hughes, Earl Warren. Lord, I would pray, let me be there, tucked away in one of the pigeonholes provided for the press, watching an old flame burning bright.



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Different Views of the SBA Loan Picture

The letter to the editor [November] in which Joel Whitehurst, Jr., of Los Banos, Calif., describes his difficulties in getting financing for building a warehouse and criticizes the Small Business Administration, was most unfair to our San Francisco office. Your headline about his "struggle" to get a small business loan didn't help.

Mr. Whitehurst made only one call on SBA and we told him of our willingness to guarantee a bank loan if he could get a bank to put up the money. That was last Aug. 14. We never heard from him again, or from any bank, until we read his letter in your magazine.

We have small business loans outstanding with 8,500 of the nation's banks. Over the past five years, we have guaranteed an annual average of 25,000 loans totaling more than \$1.5 billion, so we must be helping somebody.

I don't know where Mr. Whitehurst was having his "struggle," but it certainly wasn't with us. We suggest he try one of the many banks in his area that do make SBA-guaranteed loans, rather than quit because he found one that didn't.

LOUIS F. LAUN
Acting Administrator
Small Business Administration
Washington, D.C.

I say hooray for Mr. Whitehurst. He hit the nail on the head. We received the same runaround from SBA.

DOTTIE BOUTWELL
R&M Dispensary Co.
Pinehurst, Mass.

Our bank's experience with the Small Business Administration has to be considered excellent. We feel SBA does a very good job in serving the business community in North Dakota. Our bank has made numerous loans in cooperation with SBA, and we are presently in the process of closing another four.

If all the facts are considered, SBA would be seen as an agency that

has provided much financial and management assistance to small businessmen throughout the nation.

DONALD W. GREEN
Vice President
Merchants Bank and Trust Co. of Fargo
Fargo, N. Dak.

I agree with Mr. Whitehurst. I, too, have found it nearly impossible to obtain an SBA loan from our local financial institutions. They are reluctant to lend to anyone who has less than 50 percent down or 100 percent collateral.

JOSEPH A. HOBSON
Littlefield, Minn.

Our business of manufacturing lasers and laser electronics has literally been saved by an SBA loan. In two cases, the First Pennsylvania Bank and SBA's Philadelphia office co-operated to extend financing at crucial times in our growth. Our business was risky, yet the potential for substantial growth was there. Both the bank and the SBA pitched in to help.

While Mr. Whitehurst refers to a local politician who told him of a company that would help him get the loan for a fee, no local politicians and no fees were involved in our obtaining an SBA loan.

C. HARRY KNOWLES
President
Metrolight Instruments, Inc.
Bala Cynwyd, N.J.

A growing number of business development corporations are being established in this country to provide credit not otherwise available to assist industry in creating and retaining job opportunities within a given state or region.

Business development corporations are chartered under enabling legislation enacted in the individual states, are privately owned, and are funded by business and financial institutions.

Generally, BDC's lend amounts between \$25,000 and \$500,000 for five to 20 years at interest rates two to four percent above prime.

I will be pleased to furnish a list of business development corporations to any reader who sends me a stamped, self-addressed envelope.

JERRY STEGALL
Executive Vice President
First Missouri Development Finance Corp.
Jefferson City, Mo.

Thank you

The November issue of NATION'S BUSINESS was superb in every respect and we were delighted, obviously, with the Birmingham story, "Overcoming Adversity With Vision."

We have received many calls and letters praising the story and complimenting our chamber for the role it has played in Birmingham's growth and development.

DON A. NEWTON
Executive Vice President
Birmingham Area Chamber of Commerce
Birmingham, Ala.

Your November issue is one of the best that I can recall in my more than 50 years of interested readership. It was lively and highly readable.

It reflected firm convictions without glossing over difficulties and weaknesses.

If you can maintain the tone and vigor of that issue, you will engender a host of new converts to sound thinking and improved attitudes on matters of national policy.

CLEMENT D. JOHNSTON
Roanoke, Va.

[Editor's Note: Mr. Johnston was a member of the Board of Directors of the Chamber of Commerce of the United States for 26 years and was chairman of the National Chamber board in 1954-55.]

The November cover was one of the all-time greats—worth a thousand words.

Congratulations.

OLIVER H. JONES
Executive Vice President
Mortgage Bankers Association of America
Washington, D.C.

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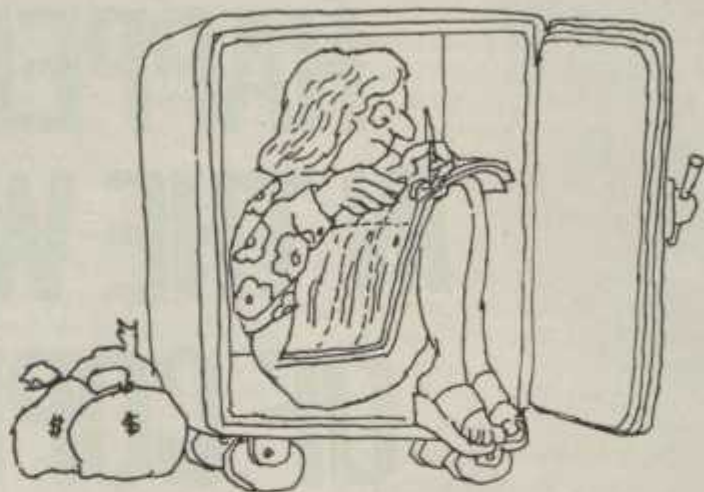


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Do You Favor a 35-Hour Workweek?

With the national unemployment rate above eight percent, a number of proposals are being offered in the hope of creating jobs. Most of these proposals center around government spending—increase it, creating more government jobs and stimulating the economy through more government purchases of private products and services; or decrease it, so taxes can be lowered, thereby raising purchasing power and enabling business to acquire more investment capital.

Now comes another idea—shorten the workweek.

The AFL-CIO adopted a resolution last February calling for a 35-hour week. At the time, the idea failed to stir much interest. But it has surfaced again.

In October, the big labor organization, meeting in a convention, reaffirmed its "endorsement of a decrease in hours worked, whether on a daily, weekly, or annual basis, with no reduction in wages or benefits and the principle of a 35-hour workweek achievable in the shortest possible time."

Testifying before a House subcommittee more recently, Andrew J. Biemiller, an ex-congressman who is director of the AFL-CIO's department of legislation, strongly urged that Congress consider reducing the 40-hour workweek standard, which was established by the Fair Labor Standards Act of 1938.

"The reduction of work time," he said, "has been a long-time goal of unions for a variety of reasons—to

increase leisure, to improve the quality of life, and to create additional job opportunities."

Opponents of the proposal for a 35-hour workweek counter that it is basically spurious in its contention that the shorter week would create additional job opportunities. They say that while initially there might be a potential for more jobs, increased cost of production would force businessmen to raise prices, which would decrease demand for their products, thus—in the long run—resulting in more unemployment.

So, opponents of a 35-hour workweek say, the increased leisure time that many workers would get would be leisure time they didn't want.

Should we have a 35-hour workweek? What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20062

Should we have a 35-hour workweek?

☐ Yes ☐ No

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A Vote for Private Initiative on Energy

Three out of four *Nation's Business* readers responding to November's "Sound Off to the Editor" question are against the \$100 billion federal energy program proposed by President Ford. Despite the President's assertions that the program would assist, rather than displace, private industry in the achievement of energy self-sufficiency, most respondents feel that the private sector can do the job better on its own.

For example, Jerome C. Martinets, Jr., vice president, Altex Oil Corp., Denver, says that "the marketplace, without government, is the best solution to any problem of shortages."

George K. Gaskell, vice president, Cummins Florida Inc., Hialeah, Fla., says: "In my opinion, the natural forces of private enterprise, if left to work, can solve this problem so much more efficiently and at far less cost. Excessive governmental and environmental interference are the primary causes of today's energy shortages. How could putting the government in the energy business possibly help?"

If the President and Congress re-

Murphy Manufacturer, Inc., Tulsa, points out: "Currently, the main competitor of American industry is the federal government. There is competition for investment capital, time and labor of administrative employees, and profits. It would be fantasy to believe that a government energy program would stop short of competition with our current energy producers."

R.L. Mulholland, Mulholland & Mul-



Voting yes, David Saltman, president, Elgin Press Inc., New York, urges a simultaneous effort by government and private industry to develop new sources of energy.

holland Oil Properties, Sidney, Mont., feels that "only private enterprise has the skill and technology to solve our energy shortage—without government intervention. Any government entry into the energy field would definitely cause more major problems in addition to the government-caused problems the oil and gas industry tries to live with now."

Peter B. Olmsted, president, Olmsted Products Co., Traverse City, Mich., has another point of view. "Since a free market for new forms of energy won't exist until the old sources are practically exhausted," he says, "the government must provide the necessary incentive to create production capacity."

Arthur R. Jones, a vice president of Douglas Film Industries, Chicago, also favors the program: "I strongly believe in allowing the marketplace to handle most economic problems. However, this is a scientific as well as economic problem, and I feel that it cannot be solved traditionally."

"The economy, American industry,

and the average American citizen all benefited from the space program, which had less direct benefit goals than the energy program," says John A. Iacovino, president, I&I, Inc., Oak Ridge, Tenn. "Let's get advanced nuclear, solar, geothermal, and coal gasification programs off the drawing boards, out of the computer projections, and into operation."

E.J. Michal, director of research and development, AMAX Extractive Metallurgy Laboratory, Golden, Colo., favors a program of "grants or loans to private organizations on a matching funds basis, perhaps 50-50, which should be managed by private industry and only monitored by federal agencies."

However, Clyde H. Fitch, president, Braunsdorf Associates, Inc., Westfield, N.J., does not think an Energy Independence Authority, as proposed by President Ford, is needed. "The federal government is loaded with all the departments that are needed to do the job," he says.

"Another bureaucratic agency would not help our energy shortfall," agrees Herman B. Rogovy, president,



Donald L. Garrett, a vice president of Citizens Bank of Eldon, Mo., votes no. He says: "Increasing reliance on the federal government in all sections of society weakens us daily."

moved restrictive controls from private industry and encouraged industry to set up its own clearinghouse for information on energy developments, says J.S. Kimmel, Jr., president, Republic Electric Co., Davenport, Iowa, industry would solve the problem at a cost a lot less than \$100 billion.

Frank W. Murphy, Jr., Frank W.



"Let Congress remove the disincentive roadblocks," says R.B. Grindley, president, The Hawley Corp., Wheeling, W. Va., "and business will get the job done." He votes no.

Mutual Oil & Gas Co., Akron. "Incentives should be given to those with know-how."

And Gene G. McCoy, president, Ad Craft of Arkansas, Inc., Little Rock, says: "From past experience, such a federal program would eventually cost \$200 billion to \$300 billion—perhaps more—without accomplishing its goals."

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What Businessmen See Now



A Nation's Business survey shows executives think the economic picture will continue to brighten. But there's dismay about inflation

HIGHER SALES AND PROFITS being recorded now and a better year ahead.

That's the report from businessmen in all parts of the country, answering the latest NATION'S BUSINESS quarterly outlook survey.

On the heels of improved performances by their companies in 1975, the businessmen see a gain for the economy as a whole in the first quarter of 1976.

And their confidence that the gain will continue is evidenced by their plans for capital investment. Nearly half of those polled say their firms will increase capital expenditures in 1976, and most of the remainder say their firms' spending of this type will remain at the same level as in 1975.

The inflation struggle

Also, most of the businessmen believe that unemployment will be down by midyear.

At the same time, large numbers of businessmen believe:

- The administration is not doing enough to fight inflation.
- Congress is not doing enough to fight inflation, either.

Virtually all of the businessmen report increases in their companies' labor costs last year, and more than a third of them report the increases were substantial.

Inflation is a prime source of worry for all businessmen. Almost half of those replying to a question on whether they are satisfied with the administration's efforts in this area say no. Of the other respondents, who say the administration is doing enough to fight inflation, many volunteer the comment that Congress is not doing enough. A typical way of putting it: "The administration is trying, but Congress isn't helping any."

The biggest show of optimism in

the poll is on the subject of what the economy will do in the first three months of this year. Eight out of ten businessmen say the economy will improve.

Two out of three say unemployment will go down.

With final figures not yet in at the time of the survey, about half of the businessmen report their firms' profits for 1975 shaping up as higher than in 1974. Two out of three report higher sales.

Accurate in the past

In the past, these surveys have proven to be excellent economic barometers. Even though many businessmen have been optimistic when harder times turned out to be in the offing, the optimism has generally concerned their own companies, and not the economy.

Some of the comments this time:

The economy will continue to im-



Louie Latham, Jr., president, Latham Time Recorder Co., Atlanta, applauds President Ford's stand against many spending proposals. But, he says, more than this "holding action" is required in order to "lick the inflation problem."



W.H. Spoor, chairman, Pillsbury Co., Minneapolis, is optimistic. He predicts the economy will improve, reports his firm's sales and profits rising, and believes unemployment will drop. He's increasing capital spending.



Marcus R. Tower, vice chairman, Bank of Oklahoma, N.A., Tulsa, sees the economy "slightly" up in the next few months, due to higher demand, "better attitude of people," reduced inflation, and inventory adjustments.



John J. Henry, senior vice president, Rockwell International Corp., Pittsburgh, sees cheer for the economy in improved auto sales and housing starts, and in lower interest rates. The most discouraging aspect of the economy? Inflation.

Georgetown Steel Corp. President O.C. Gochenour, Georgetown, S.C., is encouraged by the "large spendable money supply" in this country, but is unhappy about "excessive import pressure on the U.S. economy."



The Outlook for 1976 *continued*

prove in the new year's first quarter on the strength of increased industrial activity and consumer spending, says Lewis H. Bond, chairman and chief executive officer of Texas American Bancshares Inc., Fort Worth. He adds that heavy government borrowings have been a factor in "the limited investor interest in the capital markets."

Another banker, Dr. Beryl W. Sprinkel, executive vice president and economist of The Harris Bank, Chicago, says the economy will continue upward, but at a slower rate. He predicts unemployment, recently 8.3 percent, will be down to 7.5 percent by midyear.

The substantial accumulation of consumer savings and the resulting

potential for sales is the most encouraging aspect of the economic picture, says H.J. Runnion, Jr., a senior vice president of Wachovia Bank & Trust Co., N.A., Winston-Salem, N.C. But he thinks the money problems of New York City and a ripple effect from them could be a depressing factor.

Tighter management

Many businessmen say that the brighter profit picture at their companies stems in large part from tighter management curbs instituted during the worst of the recession. Others add that, since 1974 was so bad a year for their firms, there really was no place else for profits to go but up when the economic upsurge began in the final quarter of 1975.

For example, James S. Kemper, Jr., president of Kemper Insurance Companies, Long Grove, Ill., says

that "the year 1974 was a disaster for property-casualty insurance companies," and he reports "an improving trend" in profits and sales.

And Dr. R.P. Lumpkin, a senior vice president of the Bank of Virginia Co., Richmond, reports that his company's "net will be up moderately because of improved margin and better cost control."

A year of growth

In an overview, Theodore F. Brophy, president of General Telephone & Electronics Corp., Stamford, Conn., comments:

"The recovery from the 1974-75 recession is firmly established, as evidenced by the 13 percent growth rate achieved in the third quarter. Although the rate of growth may taper off somewhat, we expect an upward trend to continue through 1976, and we look for a growth rate in overall business activity, after adjustment for inflation, in the six to seven percent range during the first quarter."

Speaking of inflation, Sidney D. Kline, chairman, American Bank and Trust Co. of Pa., Reading, says he is dissatisfied with the administration's efforts to curb inflation, because "bureaucrats keep up pressure for spending." Congress joins in keeping up

the pressure, he adds, and he says the most discouraging aspect of the economy is "unions' power to force inflationary wage increases and Congress's subservience to unions' demands for laws to increase this power."

William F. Lucas, president and chief executive officer of Brown-Forman Distillers Corp., Louisville, says: "The administration has publicized efforts to control inflation, but allowed a \$90 billion deficit to occur. This lack of fiscal responsibility riddles our political scene."

Richard L. Berry, a vice president of Owens-Illinois, Inc., Toledo, Ohio, gives the administration good marks for trying to curb inflation, "considering the difficulty of the problem." So does Don R. Deck, president of Deck Farms, Inc., McAllen, Texas. He says the administration is "doing the best it can, with Congress stopping it at every crossroad."

Retailer's view

Business is looking good from a retailer's standpoint. H.E. Strawbridge, chairman of Cleveland's large department store, The Higbee Co., reports a 50 percent increase in his firm's profits over 1974. He sees the economy improving: "Employment is

up. Inflation is down. Backlogs are building."

Optimism also prevails at Amway Corp., the large direct-selling firm headquartered in Ada, Mich. Chairman Jay Van Andel comments that "we're coming out of the recession without having overreacted," and says he's satisfied with the administration's anti-inflation efforts. He predicts continued improvement in the economy and a drop in unemployment, and says his company's capital investment will increase this year. Amway profits and sales are up.

Munsingwear, Inc., of Minneapolis, is a major manufacturer and seller of apparel. A. Byron Reed, president and chief executive officer, has this to say about the direction the economy is taking: "Real income is up. Supply pipelines are empty. Consumers are in a better mood and no longer are afraid of uncertainties." He predicts national unemployment will drop to seven percent by mid-year and adds this interesting note about Munsingwear: "We're having difficulty hiring people in smaller towns where we have plants, and until unemployment pay runs out this will probably continue."

Robert P. Gerholz, president of the Flint, Mich., realtor-builder-developer company, Gerholz Enterprises, says that, with housing and consumer confidence improving, and with a gross national product that has gone up, he expects a further pickup in the economy. He predicts unemployment will drop to 7.8 percent. Plenty of money is available for business borrowing, he finds.

A shallow recovery?

Rodney C. Gott, chairman and chief executive officer of AMF, Inc., White Plains, N.Y., says: "I think the economy will go up very slightly. The recovery seems to be much shallower than expected and I do not think a lot of economists' favorable indices have yet made their appearance at business levels." The most encouraging thing he can think of, in relation to his own firm, is the high rate of savings—"which indicates that consumers are rebuilding their buying power and will buy when confidence has been restored."

The Federal Reserve should get



Arthur A. McCue, chairman, Minnesota-Wisconsin Truck Lines, Inc., St. Paul, Minn., says the "gradual solidifying of the economy" leads him to believe that the recovery from the recession "might be for real."



R.N. Carlen, president, J.T. Ryerson & Son, Inc., Chicago, says real GNP will improve throughout 1976 because reduction in inventories "is behind us." He also looks for unemployment to go down during the year.

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The Outlook for 1976 continued

much credit in the fight against inflation, according to Curt R. Strand, president of Hilton International Co., the New York-based hotel management firm.

J.C. Tradii, president of Motion Savers, Inc., Warren, Mich., says: "My frank opinion is that the man in the street is more aware of what is going on in foreign and domestic affairs, but that the administration is doing everything it can to keep the facts from the taxpayer. Congress and the administration must prove themselves. The free ride is coming to an end. The rules and laws seem to apply to everyone but them. They don't practice what they preach."

As for the economy, Mr. Tradii says it must improve or "we go down the drain." Despite his gloomy sentiments, he says his firm will increase its capital investments in 1976. He says there was "no choice" but to increase them, because it was "march forward or die."

Borrowing troubles

John C. Neff, president of Hospital Corp. of America, Nashville, says that his company has had difficulties raising money and that interest rates are too high.

Looking ahead, borrowing could become more of a problem if the government accelerates its money demands, says J.B. Graves, vice president for planning, Dresser Industries, Inc., Dallas. He says he's satisfied with efforts to slow inflation, citing "little or no apparent effort on the part of Congress to remedy continued deficit spending, and a lack of positive action in respect to unemployment, incentives for capital investment, and a viable energy program."

Construction has been one of America's most troubled industries. Edwin L. Jones, Jr., president of J.A. Jones Construction Co., Charlotte, N.C., thinks the economy "will show no strong movement in any direction" in the first quarter of the year. He reports labor costs are up substantially at his firm, and says it "has been unable to secure mortgage money at reasonable rates for real estate projects." However, he says the company expects to spend more for equipment in 1976. **END**

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Considering the federal reluctance to bail out New York City, is it true that New York sends far more money in the form of taxes to the U.S. Treasury than it gets from the federal government in return?

According to the Library of Congress, New York City paid \$20.87 billion into the Treasury in 1974 but got back only \$8.5 billion in grants and direct payments to its citizens. New York State also can claim it is short-changed by Uncle Sam, and so can some other states. Illinois, Michigan, Pennsylvania, Ohio, Indiana, and Wisconsin—in particular—send more federal tax dollars to Washington than are returned to them.

President Ford seems to travel more than any other President. Who foots the bill?

That depends. His recent visit to the Far East was paid for by the tax-

payers, inasmuch as he was on strictly presidential business. Each time the President travels within the United States, a decision is made on what part of the trip is political and what part is official. On occasions when Mr. Ford has traveled outside Washington for political gatherings, expenses have been picked up by the Republican National Committee.

Now, however, the Federal Election Commission has ruled that all his political travel occurring after Jan. 1 must be regarded as promotions of his candidacy for the Republican presidential nomination, and must be paid by his election committee, not the Republican Party.

This means that expenses incurred in his political travels up to nomination time this year—but not in 1975—are counted against the \$10 million a presidential candidate is allowed to spend in primary contests under the

federal campaign reform law. After nomination, there is a general election ceiling of \$20 million.

Democratic hopefuls' expenses, in 1975 as well as this year, have been counted against the primary contest ceiling.

How does the \$90 billion earmarked for defense spending in the current fiscal year compare with past spending in this area?

In number of dollars, this is our largest defense budget—in war or in peace. In 1939, the nation's defense budget was only \$1 billion. In 1945, during World War II, it soared to \$80 billion. In 1949, before Korea, it dropped to \$13 billion. In 1968, during the Vietnam war, it was \$76 billion; and in 1974, it was \$79 billion.

However, when you take inflation into account, the present defense budget is dwarfed by some of those in war years. The 1945 figure, for example, is almost three times today's, in terms of current dollars. The 1968 figure is a third larger than today's.

Is it true that the government is ending the GI Bill that helps veterans continue their education after leaving service?

President Ford has recommended termination of these educational benefits, and the House has passed legislation under which no one entering the service after Dec. 31, 1975, would get them. Members of the armed forces as of that date could get GI Bill educational benefits until Dec. 31, 1987.

The final decision will be made in the Senate.

Those backing the end of the GI Bill's education benefits say the assistance was necessary to compensate veterans of wartime service whose schooling was interrupted and who needed help in readjusting to civilian life. Members of an all-volunteer, peacetime military do not need such help, it is asserted.

Those favoring retention of the benefits say they are necessary to attract high-caliber enlistees to the all-volunteer service.

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PREVIEW —
UNION GOALS FOR 1976

Labor's Washington Strategy



PHOTO:
FRED WARD—
BLACK STAR

Organized labor's legislative aims are expansive—and expensive for taxpayers

ORGANIZED LABOR has one overriding political goal in 1976—the election of a President and Congress more sympathetic to its wants.

Close behind that on the unions' Washington shopping list for the new year is congressional passage of job-creating legislation that would require huge increases in government spending.

Then there are social reform bills, that labor customarily sponsors, and a flock of proposals to revise national labor relations law. None of these is terribly new, but they take on a different perspective in a Congress that is now one of the most prolabor in recent history. In other years, these measures had little chance of moving, but the passage of the common situs bill to legalize secondary boycotts in construction disputes shows that anything is possible.

Still, the major focus is on the occupant of the Oval Office. Most labor leaders consider the Ford administration's policies nothing more than

an extension of Nixon administration policies—which they disliked. Signing union-backed legislation is not likely to materially change Mr. Ford's chances for any significant amount of labor support.

That veto-proof Congress

In addition to the 435 House seats, there are 33 Senate seats to be filled in the coming elections.

After the voters made their choices in November, 1974, organized labor thought Congress would be veto-proof, where labor-backed legislation was concerned. This hasn't proved to be the case—President Ford has been able to make many vetoes and threats of vetoes stick. Union leaders hope the next elections will give them a larger number of allies on Capitol Hill.

While union-backed legislation hasn't fared badly in the first session of the 94th Congress, it is no secret that labor leaders feel much more could have been done. They will be

applying pressure for more action in the second session.

All told, union labor's legislative goals are expansive and expensive. They were spelled out in detail at an AFL-CIO convention last October in San Francisco. The other big labor organizations are in general accord with the objectives of the 134 resolutions adopted.

"Full employment"

A major resolution passed was one seeking to "bring about a balanced, full employment economy, with rising real income and restored public confidence."

Big labor says this can be done by continuing through 1976 the lower income tax withholding rates in effect in 1975; government aid to revive home construction; more public works; expansion of public service job projects; reduction of interest rates; overhaul of the Federal Reserve System; financial aid to troubled state and local governments;



But most of all, the unions want a sympathetic President and Congress

plugging so-called tax loopholes for high-income taxpayers; a comprehensive national energy policy; a farm policy aimed at holding down food prices; and curbs on imports that labor feels export jobs.

Also at the top of the labor legislative list is passage of the health security bill sponsored by Sen. Edward M. Kennedy (D.-Mass.) and Rep. James C. Corman (D.-Calif.).

Organized labor will continue an intensive campaign for an immediate increase in the minimum wage to \$3 per hour, from the present \$2.30, and for a minimum wage cost-of-living escalator.

In addition, the unions want more workers brought under the canopy of the Fair Labor Standards Act, and, eventually, a 35-hour workweek with no reduction in wages or extra benefits. Labor's argument is that these changes will create more jobs. [See "Sound Off to the Editor," page 15.] For the immediate future, labor wants double-time, instead of time

and a half, after 40 hours a week. And it wants overtime paid after eight hours in a day, as well as after 40 hours in a week.

Public workers spotlighted

Public employees are gaining an inordinate amount of union attention. Organized labor will push for passage of bills that will give state and local government employees full collective bargaining rights, including the right to strike, the union shop, and authorization to contest so-called unfair labor practices under the National Labor Relations Act.

Unions also favor revision of the Landrum-Griffin Act to simplify processes for elections to determine bargaining units. And unions are pushing for amendments to the National Labor Relations Act to expedite the work flow on the National Labor Relations Board.

Not only does organized labor want to retain the controversial Davis-Bacon Act, which sweetens the

wage pot for workers on federally subsidized construction jobs, but the unions want the pot sweetened further. Under this law, wage scales are set at what are determined to be the prevailing rates in an area. Usually, authorities determine these so-called prevailing rates are the union rates. Organized labor wants this always to be the case.

Among other goals:

- Coverage of public employees under the Occupational Safety and Health Act and placing all OSHA inspection and compliance activities strictly under federal control.
- Quicker reacting cost-of-living escalators for Social Security benefit payments, equal benefits for working wives who contribute to the program, and Social Security retirement benefit eligibility for those past age 55 who have been unemployed more than two years.
- Passage of the Equal Rights Amendment to benefit women.
- Tougher immigration legislation,

to include criminal penalties for employers who knowingly hire illegal immigrants.

- Federal takeover of the importation of petroleum products.

Permission to shut a plant?

Big corporations, especially the multinationals, remain a target. For example, the AFL-CIO favors "ending the monopoly of big oil."

However, businesses of all sizes are union targets, too. The United Auto Workers, for example, favors passage of the proposed National Employment Priorities Act, which

would require managements in general to give notice and obtain permission from the government before closing a plant.

Big labor is feeling scrappy politically, and it is demanding many things. There also is some scrapping within labor ranks. This is particularly true of the AFL-CIO and the Teamsters.

As a result of a bitter inter-union struggle to organize California farm workers, the Teamsters have canceled all mutual aid and no-raiding pacts with AFL-CIO unions, ending an uneasy truce. This could lead to

sharp future jurisdictional struggles.

The United Auto Workers and the United Mine Workers are also outside the dominion of 81-year-old AFL-CIO President George Meany, who was reelected to another two-year term in October. And that dream of many labor leaders, a completely unified union movement, appears no closer to reality today than in the past.

However, this doesn't mean organized labor doesn't have plenty of political as well as economic muscle. It will be using that muscle in the year ahead. **END**

TARGETS OF UNION CONTRACT DEMANDS

With the economy on the upswing, collective bargaining this year will focus heavily on catchup wage increases.

At least 4.4 million workers are covered under contracts that will either expire or permit reopening of wage provisions.

Management expects a lot of flak from organized labor on the rise in productivity and the inroads of inflation. But when the debris settles, wage increases granted under new contracts are expected to be in the nine to ten percent range. This would reflect an increase in productivity of around three percent and an anticipated rise in inflation between five and seven percent.

The lineup of major contract renegotiations for 1976 is one of the largest in recent years. Among those bargaining with employees will be the top four automakers, some 1,200 trucking firms, major apparel makers, and electrical equipment producers.

United Auto Workers contracts which expire in September cover 751,000 employees. The trucking firms employ some 400,000 Teamsters Brotherhood members. And 258,000 apparel and textile workers and 196,000 electrical workers are seeking new contracts.

UAW goals in negotiations with the automakers will become officially known this spring, when the union holds a prenegotiation convention. However, UAW officials have already signaled their intentions.

They want more protection for their members against unemployment, which is high in the industry—although it is being reduced as auto sales pick up.

One beneficial step, according to UAW officials, would be to reduce the workweek with no decrease in take-home pay and extra benefits. Another demand expected is a revision in the supplemental unemployment benefit fund formula.

With some 200,000 auto workers laid off during

the recession, SUB funds at both General Motors and Chrysler were exhausted at several points, and union officials will strive to prevent a recurrence. The funds, which union contracts require the companies to supply, are used to supplement state unemployment compensation. Thanks to the funds, laid-off workers receive as much as 95 percent of their normal take-home pay for as long as a year.

The auto industry has already said it will resist efforts to shorten the workweek and sweeten the supplemental program.

By month, these are the industries and numbers of workers involved in major contract negotiations for 1976:

January—Apparel, 85,000. Motion pictures and TV, 20,000. Trucking and warehousing, 12,000.

February—Apparel, 8,400.

March—Trucking and warehousing, 408,000. Services, 20,000. Utilities, 5,300.

April—Rubber, 70,000. Services, 20,000. Textiles, 16,000.

May—Apparel, 42,000. Construction, 40,000. Trucking and warehousing, 10,000. Retailing, 8,000.

June—Electrical, 102,500. Wholesaling, 50,000. Services, 41,000. Construction, 9,500. Aerospace, 6,300.

July—Electrical, 76,000. Apparel, 28,000. Telegraph, 10,000. Services, 6,000. Utilities, 5,000.

August—Apparel, 95,000. Meatcutters, 17,000.

September—Auto, 751,000. Electrical, 34,000. Services, 10,000. Meatcutters, 7,500. Rubber, 5,000.

October—Agricultural machinery, 98,000. Auto, 8,500. Services, 5,000.

November—Auto, 13,000.

December—Utilities, 19,000. Electrical, 17,500. Auto, 9,000. Aerospace, 8,500.

Spotting the Company's Future Leaders

Ian MacGregor, chairman of AMAX Inc., discusses how to solve such problems as the energy crunch, winning politicians' understanding for business needs, and finding likely candidates for top management

YOU WOULD BE only partly right in calling Ian MacGregor an American businessman. He is really an international businessman.

Mr. MacGregor is chairman and chief executive officer of AMAX Inc., which until 1974 was named American Metal Climax, Inc. He lives and works in Greenwich, Conn. His company has holdings and mining rights in half the states and Puerto Rico, and it is largely owned by American stockholders.

At the same time, the company has operations in a score of countries on four continents. It is in the North Sea, the Gulf of Mexico, and some places that are so out-of-the-way that the only time you see their names is when you are looking through an atlas.

AMAX explores for, mines, transports, and sells nickel, bauxite, lead, copper, coal, zinc, molybdenum, potash, oil, gas, and iron ore. The company also owns ships and is involved in environmental sciences.

Ian MacGregor was born in Scotland in 1912. He is that unusual man, a Scot without a burr in his speech. Soon after completing his education

in his native land—he obtained degrees in metallurgy at Glasgow and Strathclyde universities—Mr. MacGregor came to America and went into the metals business. He joined American Metal Climax in 1957 as a vice president in one of its divisions. In 1965, he became executive vice president, and the next year he took over the presidency. He became chairman and chief executive officer in 1969.

Since he became president, the company has prospered greatly, going from \$356 million in total sales in 1966 to \$1.2 billion in 1974. The firm's annual earnings grew from \$51 million to \$146 million in the same period.

Mr. MacGregor is famed for conversational abilities. He can speak on almost any subject, and he enjoys doing it. Ask him a tricky question, and you get a candid answer.

When he takes the podium for speeches, he lowers his reading glasses to near the end of his nose and holds forth eloquently. He rarely has to look at his manuscript.

Here, in an interview with a NATION'S BUSINESS editor, Mr. Mac-

Gregor runs expertly through a repertoire of subjects.

What has been the biggest financial problem you have confronted at AMAX?

The perpetual problem of finding enough capital for opportunities that lie ahead in the face of the growing world demand for minerals.

Two developments have caused this to be a problem.

First, inflation has raised the cost of construction and capital goods more rapidly than almost anything else. The tools of production now cost so much that we are not getting expansion in capacity, an expansion which provides surplus goods resulting in competitive pricing for those goods.

Second, interest costs are high. With increasing competition from the government for private capital, the economics of new ventures have changed so much that it looks as if we are going to have to slow down capital spending programs.

How have you solved the problem?

In some cases, we have brought in

partners and gone into joint ventures.

What has been your major administrative problem, and what did you do about it?

Wrestling with the general concept of decentralization.

We have divided AMAX into a series of groups, with good people in each. We balance technical skills with administrative skills.

One result is that we have a rather informal type of organization. We work without a lot of committees that have to meet at regular intervals. Our managers have a fair degree of freedom, and this eases the administrative burden.

Does it ever pay to duck a problem?

No. If you duck one, it only gets worse.

How can you tell if a young, upcoming employee has leadership qualities? What do you look for?

We look for a variety of characteristics.

First of all, we look for people who are responsive, who are intelligent, and who have integrity—people of their word.

We also look for young people who work well with older employees. We expose the young to our older hands, and we get reports on the young people's performance.

Can you spot leadership talent quickly?

Yes. We see the comers quickly.

We run an intern system at AMAX which we have found is a problem-solver. We take a likely-looking youngster with a training discipline, such as engineering, law, or accounting, and we move him or her up to a spot where there is good visibility by top management.

At all of our group executives' offices, you find young people working as interns.

The youngster may be doing odd jobs, monitoring correspondence, or just doing something for the top man in the group. But, in the process, executives watch the youngster, and the youngster sees what's going on from a choice seat in the house.

You have moved AMAX headquarters



Ian MacGregor makes numerous trips abroad every year, and to a wide variety of places. In Paris recently, he chatted with Chinese delegates at an international meeting.

to Greenwich from New York City. Was it a good move?

I believe so. We've had few adverse comments, even though Greenwich is inconvenient to some of our people—they commute in reverse, living in New York and working out here.

In the modern world, with fantastic communications and transportation, we could operate in many places.

To a certain extent, a city is a communications vehicle. In days when transportation was poor, and businesses were not so extensive, companies had to locate in cities, where they could communicate with

each other. Cities, too, were designed for defense.

The city concept may now be obsolete, because we have had revolutions in all forms of communication. Also, the last place you want to be during a war is in a large city.

Some industries still find advantages in groupings such as advertising does on Madison Avenue and finance on Wall Street. These industry people are always talking to each other. But, maybe it would help them to have broader contact with the world.

What has working in Greenwich done for you personally?

On the whole, living and working

"We have divided AMAX into a series of groups, with good people in each. We balance technical skills with administrative skills."

here has shaken me out of some of the narrow grooves that I got into in the city. I like it out here very much.

AMAX is big in surface coal mining. How do you win friends for surface mining in Washington?

It is difficult. There is an enormous lack of knowledge on Capitol Hill. In recent voting on a surface mining bill, most opposition came from congressmen from states which have no coal. On the other hand, coal mining states gave reasonable support.

This shows that when people know about something, they are able to make intelligent decisions. When they know nothing, they get carried away with the rhetoric of the most vocal group in the community.

Do you try to do a little educating on Capitol Hill?

The big thing is to go around and talk quietly with people and bring facts to their attention.

AMAX has prepared literature and photographic evidence of highly successful reclamations after surface mining. Once these reclamations are seen, the average legislator isn't so carried away by the far-out environmentalist claims. He usually agrees that surface mining is logical.

The best example is Sen. Birch Bayh of Indiana, a state where there is much surface mining. He wasn't so keen on surface mining until he went out and actually saw some of the mines. When he realized what was done in reclamation, he made a statement for television news cameramen on the spot. He said he was all for surface mining, if it was done the way he had seen it done.

I think people in Washington are finally realizing that reclamation work varies state by state. It depends on contours of the ground. Reclamation as done in Indiana may not be what's needed in Montana. So, writing a uniform national surface mining law that is fair and proper, as regards reclamation, is impossible.

Why don't we double coal production in the next four or five years and thereby solve much of the energy problem?

There is no mechanical reason not to. AMAX is raising its coal produc-

tion something like 20 percent a year. Other companies should do the same.

However, the federal government must get behind the coal industry and get on with leasing federal lands for mining. It must stop squabbling over environmental impact statements. The quickest way to more energy is through surface mining of coal, particularly in the western states. There is plenty of coal out there, and it is easy to get to.

In the East, a problem with our program of expanding underground mines is the lack of experienced miners. You can't just pull people off the street and say, "Go mine coal."

Mr. MacGregor, you seem mildly optimistic about the energy situation.

I am. Now, why?

We have enormous internal resources. We should increase our dependence on electricity, which now supplies about one quarter of our energy needs. We must use more nuclear and coal-produced energy, and

We established our high standard of living with our use of energy. Productivity has been increased by applying energy to jobs that workers used to perform themselves. If you go through a manufacturing operation today, you find that the physical effort required of workers has been steadily reduced.

So, if the U.S. standard of living is to be maintained, there has to be a very large component of energy.

How do you feel about complaints abroad that extractive industry leaders such as yourself are a bunch of robbers of national treasures?

I've heard it said abroad that developers of other countries' natural resources are exploiting the people of those countries. Of course, nobody cares to point out that the resources have been there for a long time, and that they were not developed until foreign investors put money into the development.

The idea that U.S. mining com-

"This is part of my job: to project knowledge about our company into the minds of people. . . ."

less gas and petroleum-produced energy.

Another point: We waste a great deal of energy. If the price of energy goes up so high that people keep thinking about not wasting it, then we will end up with substantial conservation, and that would be good.

I drove to Rhode Island recently and held to the legal 55 miles an hour. I was practically run over by everyone else, including all the trucks. This gives me the impression that the message hasn't penetrated to most of my fellow citizens. They still waste energy. When they stop, we will save gobs of energy.

That is not to say that we should not continue to use huge amounts of energy.

panies exploit people is a rather strange distortion of what actually happens. I know that we at AMAX have brought enormous benefits to communities in which we have developed properties, both here and abroad.

How would you face the problem of foreign governments forming cartels for copper and bauxite, such as the OPEC countries have for oil?

People abroad tried to put together a copper cartel. They were unsuccessful, because the copper market has wild fluctuations. I don't see a problem there.

As for a bauxite cartel, there is only a limited opportunity for a cartel. If the price of foreign bauxite

goes high enough, we can extract our supply from clays in Georgia and Alabama, which are extremely plentiful.

What do you foresee around the world in the way of nationalization?

Some countries have nationalized many properties. I am rather saddened by this trend, which is continuing. Some leaders abroad apparently are pandering to current political ideas rather than paying attention to the economic needs of their people.

I don't see a single developing country that doesn't need capital invested from abroad to help improve living standards. These countries must have industrial activities. Na-

in many parts of the world would be regarded as fantastic.

Labor Department statistics show that about 75 percent of all incomes in the U.S. lie between \$5,000 and \$25,000. Most unionized people now enjoy incomes in the middle or upper part of this range.

Clearly, what has happened is that our country has become a country with an enormous middle class. The laboring class has been all but eliminated.

So, obviously, if the government is going to keep spending enormous sums, the government will have to look toward this enormous middle class. Middle-income people will have to pay very much more in taxes. That would be the only source re-

Our company has put in installations overseas to process some of our raw materials, in order to help us obtain a share of the world market. If we had not done this, our people in the U.S. would face less employment.

Other companies have established overseas plants that draw some of their basic components from the U.S. This helps American business, our balance of payments, and our export performance. So, American business isn't isolationist.

Some business does run away from America to avoid high labor costs. But, for manufacturing, probably the most sensational development in the past five years has been the skyrocketing of costs abroad.

Mr. MacGregor, you have occasionally been called garrulous in the press. Are you?

I am quite prepared to talk about any subject that anyone brings up. For one thing, it helps me to educate myself. For another, if someone asks me something, I have to lay my viewpoint in front of them. If I'm taciturn, I don't help anybody. I think one problem facing businessmen is a lack of articulateness. They may be good at this or that, but they are still regarded as inarticulate.

For myself, I delight in throwing out information about our company.

This is part of my job: to project knowledge about our company into the minds of people—what the company is doing, why, and what it hopes to do.

If that is garrulous, then I'm garrulous. I will talk to anyone who will listen.

How do you relax?

I often go back to Scotland for vacations. I still have a house there. I also go to Colorado to play a little golf and do some fishing. I've always been a keen fisherman.

Also, I like to read—fiction, mostly, for relaxation. Recently, I've been reading archaeology.

Do you ever just loaf?

I sure do. I love it.

END

REPRINTS of this article are available from *Nation's Business*. See page 24 for details.

"At all of our group executives' offices, you find young people working as interns."

tionalization isn't the way to get them.

Do you sleep well at night knowing that America depends on chrome that is under Soviet control?

This makes for a peculiar situation. Chrome from Rhodesia has no market in the industrial countries, thanks to political sanctions involving racial affairs. So Rhodesian chrome has to be sold—at a discount—behind the Iron Curtain.

The Soviets, of course, have a lot of chrome of their own, while chrome is scarce in the West. The Soviets buy Rhodesian chrome and sell that chrome, as well as their own chrome, at premium prices to westerners.

In speeches, you have said that the United States is the world's first middle-class society. What do you mean?

I mean our labor unions have succeeded beyond their wildest dreams in bringing wages up to levels which

maining for the government to tap for really big money.

The evil day of raising taxes has been put off because the federal government is borrowing so much money. If the government continues its excessive rate of expenditures, it has to print more money. We cannot indefinitely raise the national debt without reducing our money's value.

To stop inflation, the government must raise its income, or reduce expenditures, or both. It probably will have to do both.

Does America face the problem of isolationism?

America is moving in that direction. Some people in Washington indicate a fondness for withdrawal from world leadership. This is a rather sad thing. There is too much effort toward preventing what I would call internationalization of business. Congress seems preoccupied with multinational corporations, especially American multinationals.

A BICENTENNIAL SALUTE TO AMERICAN CITIES:

PITTSBURGH



Finding the Key to Urban Success

WHEN Robinson F. Barker, then a PPG Industries, Inc., executive in Nashville, informed his wife in 1948 that he was being transferred to corporate headquarters in Pittsburgh, Mary Barker burst into tears.

Her reaction was typical of that of many wives in those days, when they were told they would be moving to Pittsburgh.

But, says Mr. Barker, who today is chairman and chief executive officer of PPG, Mrs. Barker was agreeably surprised after they arrived. For Pittsburgh, a city whose image was one of heavy industry, an attendant smoky, grimy atmosphere, and a downtown headed downward, had launched what has come to be known as the Pittsburgh Renaissance.

Visitor Charles Dickens once called Pittsburgh "hell with the lid off." By the end of World War II, the city was well on its way to being an environmental casualty of the Industrial Revolution.

Spare shirts to the office

The Pittsburgh area produced more steel than Germany and Japan com-



Pittsburgh's Golden Triangle sparkles in the night (previous page), and so do products in steel mills, which are vital to the area's economy. At left, a hot saw cuts a beam in a U.S. Steel Corp. mill. Another strength of the area is its outstanding educational institutions, which are generously supported by corporations and foundations. In front of the Cathedral of Learning at the University of Pittsburgh (below) are Theodore L. Hazlett, Jr., president of the A.W. Mellon Educational and Charitable Trust; Sister Jane Scully, president of Carlow College; and Robert E. Kirby, chairman of Westinghouse Electric Corp. and vice chairman of Pitt's board of trustees. Near the university are such cultural assets as the Sarah Scafe Gallery of the Carnegie Institute's Museum of Art and the Carnegie Museum of Natural History.

PHOTOGRAPHS BY YOICHI OKAMOTO



PITTSBURGH: One of the "Great Undiscovered Urban Secrets" *continued*

bined in World War II, but the price was high. The area was close to suffocating—literally—on success.

Pittsburgh businessmen carried spare shirts to the office, because clean shirts put on in the morning became dirty by noon. Housewives habitually washed curtains once a week.

Willard F. Rockwell, Jr., chairman of Rockwell International Corp. and a longtime Pittsburgh resident, tells of his first visit to an out-of-town clinic for a physical. A doctor unfamiliar with his background scanned his chest X ray and theorized that the industrialist was either a coal miner or a resident of Pittsburgh.

Seeing is believing

Now, one shirt will do all day, and the streetlights don't have to be turned on at high noon.

It's a lovely city.

"You've got to see it to believe it," exclaims Peter F. Flaherty, the city's young mayor, who has kept taxes low and increased city employees' productivity to the point where he has received national acclaim.

Roger S. Ahlbrandt, chairman and chief executive officer of Allegheny Ludlum Industries, Inc., says Pittsburgh "is turning out to be one of America's great undiscovered urban secrets."

Pittsburgh residents delight in introducing newcomers to the city. Usually, the introduction begins at Greater Pittsburgh International Airport.

The 14-mile ride in is strictly suburbia, all the way to a high ridge that blocks the view ahead. There's little indication that you're about to enter the heart of a city of 514,000 in a

metropolitan area of another 2.3 million people.

Then, the highway plunges into the gloom of a tunnel through the ridge. When you emerge, you cross a bridge over the Monongahela River and you are catapulted into a dramatic downtown of gleaming steel and aluminum-clad skyscrapers. Just a mile away is the 64-story U.S. Steel Building, tallest structure between New York and Chicago. Standing beside it are several dozen other modern office towers. This is the Golden Triangle, the most compact and walkable big-city central business district in the nation.

Pittsburghers love to whisk visitors to the top of the ridge. From there, they view Point State Park, with its spectacular 150-foot-high fountain. As its name indicates, the park is on the Point—the apex of the Golden Triangle, where the Monongahela and the Allegheny River join to form the mighty Ohio.

Vitality everywhere

Mills, sinews of the area, are there in the valleys, but the heavy smoke is gone. On the once heavily polluted Allegheny, marinas dot the shoreline. Yet, everywhere, there is evidence of economic vitality. On the rivers, tugs push long strings of barges that carry the area's many products to the Midwest and down to New Orleans.

The image of a dirty, smoky city has been difficult to dispel completely. Last November, due to a temperature inversion, pollution caused concern in Pittsburgh for several days. Many newspaper readers and newscast listeners elsewhere were unaware that the situation was a rarity for the Pittsburgh of the 1970's.

Pittsburgh has a long tradition as a center of education and culture, but numerous outsiders are unaware of this, too.

The melting pot

Many people think of the city as "a shot and a glass of beer town," intolerant of sophisticated thinking, says Frank N. Hawkins, Georgia-born editor of the Post-Gazette, one of Pittsburgh's two big daily newspapers.

Actually, he says, "there is more live and let live in Pittsburgh than in

any place I've ever been. This is due to the broad ethnic mix."

According to the 1970 census, nearly one fourth of the residents of the metro area are foreign-born or the children of foreign-born. The largest ethnic group among these residents is Italian, followed by Polish, German, Czech, British, Austrian, Yugoslav, Irish, Russian, and Hungarian in that order.

Blacks comprise about 20 percent of the population.

Ethnic newspapers, magazines, and organizations are commonplace. Local radio stations regularly feature special programs in native tongues.

B. Ross Nason, chairman of Mobay Chemical Corp., says: "On a smaller scale, Pittsburgh is the American melting pot."

Religion and the church play a vital part in the city's life. The churches, especially those in the ethnic neighborhoods, are community centers. It's still traditional for families to go to church together.

Pittsburghers are solid citizens, boosters of the city say, pointing out that it has the highest percentage of owner-occupied homes of any major American city. Also, Pittsburgh is a bit old-fashioned—it has the lowest percentage of women in the work force of any big city.

Washington slept here

George Washington not only slept in what is now Pittsburgh, he pinpointed the Point as an ideal site for a fort. The French thought so, too, and built Ft. Duquesne there. It was abandoned, and Ft. Pitt, named for the British statesman, was completed there 15 years before the American Revolution.

When Washington was inaugurated as President of the new United States in 1789, there were more than 300 people in Pittsburgh, a frontier town with pretensions of being the gateway to the West. In 1794, the population was about 1,000.

The year 1794 was noteworthy for Pittsburghers in two respects. Their town was incorporated then, and it was the center of the Whiskey Rebellion.

As Bostonians had protested the royal tax on tea, Pittsburghers rebelled against the republic's tax on

Performances in acoustically perfect Heinz Hall for the Performing Arts are a major attraction in downtown Pittsburgh. John E. Angle, president of the Pittsburgh Symphony Society, stands in the foyer of the hall, which was donated by the Howard Heinz Foundation. The hall is home for the Pittsburgh Opera, Light Opera, and Ballet Theater, as well as for a renowned symphony orchestra.

This season's most exciting television is brought to you by National Geographic, PBS, and Pittsburgh. And Pittsburgh?

That's right, Pittsburgh. For the first time ever, the popular National Geographic Specials are appearing on Public Television.



"The Incredible Machine"
Shown Tuesday, October 28.



"This Britain: Heritage of the Sea"
Shown Tuesday, December 9.



"Search for the Great Apes"
Tuesday, January 13, 7:30 p.m. EST.



"The Animals Nobody Loved"
Tuesday, February 10, 7:30 p.m. EST.

And it's Pittsburgh people who brought them together.

Over the next three years, WQED/Pittsburgh will present 12 National Geographic Specials on PBS, made possible by a grant from Gulf Oil Corporation.



At Gulf Oil, we're proud to underwrite the production and promotion of these specials because we feel they promise a lot for everyone.

If the amazing response to the first special shown is any indication, millions of people who have never watched Public Television before are watching now.

And it's especially grati-

fying because so many Pittsburgh people were involved in its success.

WQED/Pittsburgh, the first community-sponsored, educational TV station, has



not only coordinated the efforts of all the individual Public Television stations, but is currently producing eight of the specials itself.

And Ketchum, MacLeod & Grove, Inc., a Pittsburgh-based advertising agency, is handling national publicity and promotion.

You can see why we're so proud.

We not only have an opportunity to bring the National Geographic to Public Television, but a little recognition to Pittsburgh, too.

After all, it's our hometown.



A driving force behind the city's renaissance is the Allegheny Conference on Community Development, which meets in the Duquesne Club.

Chairman is Robinson F. Barker (left), shown with Executive Committeeman Willard F. Rockwell, Jr. Portrait is of financier Andrew W. Mellon.



Top corporate officials pitch in to help the area where they live and work. Edgar B. Speer, chairman of U.S. Steel Corp. (center), heads a task force on highway funding for the Greater Pittsburgh Chamber of Commerce. With him are Arthur W. Cowles (left) and Justin T. Horan (right), chairman and executive vice president of the 101-year-old business organization.



There is a new era of cooperation between business groups and local government. "We found we could agree if we got in the same room," says Pittsburgh's Mayor Peter F. Flaherty.

PITTSBURGH: Energy, Thrift, and a Strong Work Ethic *continued*

products of their home distilleries.

A wave of Scotch-Irish immigrants washed into the area, bringing energy, thrift, and a strong work ethic. As an important town west of the Allegheny Mountains, Pittsburgh supplied settlers with all forms of provisions, including flatboats for the trip down the Ohio. Soon, Pittsburghers began building larger vessels, some of them oceangoing ships that made their way across the Atlantic after trips down the Ohio and Mississippi.

Plentiful coal and iron

As the frontier moved steadily westward, Pittsburgh retained its importance and began to grow as an in-

dustrial center. The first iron furnace had been built in 1793, and five years later a glassworks was in operation. Coal was plentiful, as was iron ore. And the skilled labor needed began arriving, with Germans in the vanguard.

It was not until the last quarter of the 19th century, however, that the Industrial Revolution really transformed the area. By 1900, Pittsburgh supplied half of the nation's open-hearth steel and more than half of the coke.

This growth was not without labor unrest, including two of the most famous strikes in the nation's history. In 1877, bloody riots by railroad workers reached their height of

frenzy in Pittsburgh with more than 40 dead and hundreds wounded.

In 1892, industrialist Henry C. Frick imported 300 Pinkerton agents to break a strike at the Homestead Steel Works. Ten strikers and three Pinkertons were killed and scores wounded.

Alcoa and Westinghouse

The period between the Civil War and the start of the 20th century saw diversification into other industries. The first aluminum reduction plant was put into operation, the forerunner of Aluminum Co. of America. George Westinghouse began manufacturing air brakes for railroads and, later, glass bulbs for

**If a city isn't livable,
all the glamour in the world makes no difference.**

And that's why living in Pittsburgh
makes all the difference in the world.

It's a city in which contrasts co-exist.
Where the American Revolution meets
the breeder reactor...
and kolbassi meets Quiche Lorraine.

Where the third largest corporate headquarters city
relishes a Superbowl victory and where everyone
(yes, everyone) comes downtown
for nightly entertainment and shopping.
They enjoy the symphony, the ballet, and the opera,
swinging jazz and rock clubs,
excellent restaurants for every cuisine and budget,
nationally recognized department stores and boutiques,
cinema, drama, and musicals.
There's after-dinner strolling in the European tradition,
in complete safety.
Downtown.
After dark.

Pittsburgh's a city where exclusive residential areas
and steelmills have learned to co-exist,
where housing is plentiful and reasonably priced.

Pittsburgh's a city with a budget in the black
and a bond rating that's on the rise.

It's a city where foreign languages are still spoken
on ethnic neighborhood streets,
where friendliness astounds the visitor,
and the community spirit is best characterized
by the unglamorous word,
goodwill.

Where life is still livable.
And getting better.
Pittsburgh.

The Chamber
The Greater Pittsburgh Chamber of Commerce
411 Seventh Avenue
Pittsburgh, PA 15219
(412) 391-3400

**PITTSBURGH: Leaders Are
Business-Oriented** *continued*

the new electric lights. This was the same inventive genius who drilled a gas well on his Pittsburgh estate and used the fuel to illuminate his mansion.

Henry J. Heinz was making pickles. The city was becoming a producer of many things. At the same time, iron and steel were not left behind. Andrew Carnegie, a Scots immigrant, was building an industrial empire that was to become today's U.S. Steel Corp.

There is no statue of Andrew Carnegie in Pittsburgh. It is a relatively statueless city—the best-known statue is of Honus Wagner, the great shortstop for the baseball Pirates.

However, Mr. Carnegie, who left memorials throughout the nation by endowing public library buildings, also endowed a university in Pittsburgh. Carnegie Tech eventually merged with an institution endowed by Andrew W. Mellon, forming the Carnegie-Mellon University.

Business-oriented leaders

Mr. Mellon, the banker who amassed the fabulous Mellon fortune, was one of only a few Pittsburgh businessmen to serve prominently in government. He was the Secretary of the Treasury under Presidents Harding, Coolidge, and Hoover.

In Pittsburgh, the leadership has always been business-oriented, and there has been no tradition of successful businessmen changing careers and going into politics or government service.

Thomas C. Graham, president and chief executive officer of Jones & Laughlin Steel Corp., observes: "Pittsburgh businessmen have always hoped government would go away."

In the world of business, Pittsburgh produced steelmen Carnegie, Henry Oliver, and Charles Schwab. Charles Martin Hall, Alfred Ephraim Hunt, and Arthur Vining Davis made the city a center for aluminum.

Not that Pittsburgh has been shy of celebrities in many walks of life.

The arts and sciences

Rachel Carson, whose book, "Silent Spring," is credited with kicking off the environmental revolution, was a native of the area. Other Pittsburgh

A report from United States Steel.

Presented by
D. M. Roderick, President.



We're helping our automotive customers to weightwatch.

Considering the current effects of inflation *and* recession on the automotive industry, it is reassuring to note that automotive producers are meeting the new challenges. Smaller, lighter cars are in.

U.S. Steel has traditionally promoted special steels for certain automotive applications where maximum strength-weight ratios are in order. These are steels that will last longer without increasing weight, or weight-saving steels that will last as long as need be.

Currently, U.S. Steel is engaged

in some 32 automotive design projects aimed at weight-saving, and they are stimulating keen interest on the part of automakers.

Safety is another Detroit priority. Several years ago, U.S. Steel introduced a design concept for an emission-free gas tank which is also virtually rupture-proof from rear end collisions.

U.S. Steel's automotive parts design-engineering concepts make use of conventional materials and fabrication techniques to help keep costs down. Since U.S. Steel isn't in the car business, the concepts are offered to automakers.

Capital investment at all-time high.

One benefit of U.S. Steel's improved earnings in 1973 and 1974, along with prospects for continued growth in steel demand, has been the stepping up of capital authorizations for modernization and expansion of facilities. Last year's appropriations totaled 1.2 billion dollars, the largest amount ever appropriated by U.S. Steel in a single year. As an indicator of why we're spending more, America's steel consumption by 1985 is expected to be in the range of 150 to 155 million tons annually. Since 1970, the emphasis of U.S. Steel's capital spending was in steel mill rolling and finishing facilities. In fact, we could have

produced more finished steel in 1974 than we did had the availability of quality raw materials and iron been greater. For this reason our spending beyond 1975 is expected to include substantial investment in coal, coke and iron projects to maximize production from existing raw steel, rolling and finishing capabilities.

A word about solid waste management.

Solid waste management is a fancy phrase for "taking out the garbage," and it's a problem for major American cities. U.S. Steel's Chemicals Division has done something about it. They've developed special 82-gallon molded plastic containers that are integrated into a collection system. In Atlanta the Roll-a-Waste system, as it's called, is expected to cut the city's cost of garbage collection 30 to 40 percent, and to increase collection crews' productivity by 30 percent. Our Chemicals Division manufactured more than 100,000 of these containers under a \$3.29 million contract, and Atlanta is among ten cities and counties using the system. This is one of the many ways that U.S. Steel is turning a profit with an idea or product that benefits the user as well. U.S. Steel, 600 Grant Street, Pittsburgh, PA 15230.



We're involved.



Livability is a major theme in the area's quest for growth. John M. Arthur (left), chairman of Penn's Southwest Association, a regional economic development booster, strolls past Civic Arena, site of major sports events. Industrialist B. Ross Nason (right) relaxes in Gateway Center, where the building boom of the Pittsburgh Renaissance had its beginning in 1952.

"The only thing I brought here was my chair," says Ralph Jones, president of New World National Bank, which has a biracial top management. Local banks provided the other fixtures, in helping New World to get started in 1975. With Mr. Jones in Mellon Square are Merle E. Gilliland (center), Pittsburgh National Bank chairman, and Curtis E. Jones, president of Mellon Bank, N.A. The city is a center for varied financial activity.

PITTSBURGH: Livability Along With Growth *continued*



The central business district doesn't close down by 6 p.m. in friendly Pittsburgh. It is one of the few major American cities where it is safe both day and night to walk the streets and stroll in the parks.

Officer Vic Cianca is a landmark that moves—colorfully—as he directs traffic.



Remember when a wooden slide rule was the key to higher math? Rockwell technology helped change all that.

Now more and more students are using the keys of an electronic slide rule calculator to help unlock the mysteries of advanced math. And many of the models they're using come from one of the most complete calculator lines in the industry — Rockwell's. Rockwell International — the same company whose microelectronic circuits, originally developed for aerospace, helped make such calculators possible.

That's Rockwell technology for you. It starts as a process and winds up in a product. And since we have so many varied product areas that dovetail technologically, an advance in electronic

technique or in a design or manufacturing process can frequently be applied from one area to another. From our aerospace or electronics operations, for instance, to our consumer products (calculators, Admiral television sets and major household appliances, and Rockwell power tools). Or to our automotive or industrial products.

The result? Rockwell's technology keeps making our down-to-earth products work harder — and better — for you.



**Rockwell
International**

where science gets down to business



For more about us, write for our annual report. Rockwell International, Dept. 815G, 600 Grant Street, Pittsburgh, PA 15219.

Tour Pittsburgh with Turner



Clarence Turner is Duquesne Light's new manager of area development. And he's primed to let you in on one of the nation's best kept secrets. (Pittsburgh? Pittsburgh!) Spend the day with Turner and he'll fill you in on all the things that make Pittsburgh today such a compelling place to put a plant, office or distribution center. Not just the well-known facts (we're within 500 miles of 70% of the country's manufacturers, 80% of its industrial work force, 66% of its income), but dozens of dramatic surprises. For instance, did you know that what used to be called a "steel town" is now a major center for R & D, medicine, education, computer and nuclear technology? That we're the fourth largest headquarters town, home to 22 of Fortune's 500? That we're in the big leagues in music, art and entertainment as well as football, baseball, hockey and tennis? That we rank first among all metro areas of our size in number of



golf courses? That a quarter of a million trees line our streets? And did you know we're beautiful? (Pittsburgh? Pittsburgh!)

Another surprise: We've got thousands of acres of open land and hundreds of thousands of square feet of office space, waiting for you to move into. Make your tour reservations today. Call or write

Clarence Turner,
Duquesne Light Company,
435 Sixth Avenue,
Pittsburgh PA 15219,
(412) 471-4300.

(A.) View from Mt. Washington (B.) New Sarah Scalfe Gallery, Museum of Art, Carnegie Institute (C.) Civic Arena (D.) Greater Pittsburgh International Airport (E.) Schenley Park Golf Course (F.) U. S. Steel Headquarters and Building (G.) Westinghouse Research Center (H.) Children's Hospital (I.) Beaver Valley Nuclear Power Plant (J.) Fountain in Point State Park (K.) Countryside in Beaver County (L.) Three Rivers Stadium

Pittsburgh? Pittsburgh!

One of the nation's best kept secrets

PITTSBURGH: People Crowd Around to Help *continued*

natives include novelist Mary Roberts Rinehart, expatriate writer Gertrude Stein, playwrights Marc Connelley and George S. Kaufman, and painter Mary Cassatt.

Stephen Foster was a Pittsburgh product, and Victor Herbert, while director of the Pittsburgh Symphony, wrote many of his famous works, such as "Naughty Marietta," in the city. More recent musical celebrities are singers Perry Como, Billy Eckstine, and Bobby Vinton, and dancers Martha Graham and Gene Kelly. Sports-minded Pittsburghers point to Harry Greb and Fritz Zivic, both world champion boxers.

Actors William Powell and Jack Klugman are local products, too.

John Roebling, the bridge builder, constructed the world's first suspension span across the Allegheny; George Ferris was the inventor of the Ferris wheel; and Dr. Jonas Salk developed polio vaccine at the University of Pittsburgh.

One current Pittsburgh celebrity is Vic Cianca, a city policeman who has been featured on the "Candid Camera" television show a number of times. A master showman, he directs traffic with a dash of ballet, a bit of the matador, and expressive gestures.

Every evening during the rush hour, he stars at the intersection of three downtown streets. Tourists make this a must stop in the city. Locals, who have witnessed the drama for decades, still pause and savor a man who enjoys his work and brings a smile to the doourest faces.

Friendliness is common

Dourness is not typical of Pittsburgh.

"Pittsburgh is friendly," says Sister Jane Scully, president of Carlow College. "It is a place where you can get mobbed by opening a street map on a downtown corner. Immediately, ten people will crowd around to help you, and half of them probably will insist on accompanying you to be sure you don't get lost."

Jay D. Aldridge, executive director of Penn's Southwest Association, a regional economic development agency, tells the story of a German businessman whom his organization was vigorously wooing to open a plant in the area.

One day, the German slipped into town unannounced to look things over for himself. He asked the cab driver bringing him in from the airport to suggest a hotel that offered both tennis and swimming facilities. The cabbie did, and on the way stopped off at his home to introduce the foreign visitor to his wife and to see a typical American home. The next day, the cabbie checked back with the visitor to be sure that the hotel accommodations were satisfactory.

The industrialist picked Pittsburgh.

Downtown awake after dark

Pittsburghers still enjoy downtown. Downtown streets are alive in the evening. Pittsburgh is one of the few cities of its size in the nation where you can walk sidewalks or stroll in a park downtown after dark without fear of being mugged.

Major retailers Joseph Horne Co., Kaufmann's, and Gimbel Bros. have been a key factor in creating downtown vitality. Each of their Golden Triangle stores are company flagships, even though all three firms have numerous satellite stores in suburban shopping centers.

The successful drive to keep the downtown thriving, says Vincent A. Finoli, president and general manager of Joseph Horne Co., has been a community effort. "We never quit here," he says.

Floods and fumes

One hurdle that had to be overcome was provided by the rivers.

Throughout the city's history, the downtown section had been the scene of devastating floods. The Greater Pittsburgh Chamber of Commerce, organized in 1874, was a leader in campaigning for flood control. In 1936, there was a disastrous flood on St. Patrick's Day in which the rivers crested at 11 feet above flood level. For 20 years, major downtown construction was inhibited as a result. Who wanted to build and then face water damage?

City fathers recognized that not only smoke and smog had to be eliminated to foster downtown growth, but, equally important, the threat from the rivers had to be eased. Washington listened to pleas for



Magnets for Pittsburghers of all incomes are the downtown department stores. The major retailers, says Edwin Hinnfeld (above), local chief executive of Gimbel Bros., compete fiercely to make the downtown stores their flagships.

help, and by 1953, the Army Corps of Engineers had completed ten dams, bringing the rivers under control.

Industrial fumes were increasingly a visual blight and health hazard. The first study of the subject by the city took place in 1910, but there wasn't much action. As late as 1939, the city government abolished its bureau of smoke regulation, but the bureau was reactivated in 1941.

Launching the renaissance

The needs of World War II foreclosed anything that would slow the outpouring of steel and other products, but that didn't prevent business leaders from planning for the city's postwar future. In 1943, a handful of top executives formed an unusual organization called the Allegheny Conference on Community Development. Membership, which today is 150, was restricted generally to chief execu-

Eager to move ahead, Roger S. Ahlbrandt (right), vice president of the Allegheny Conference, urges construction of downtown housing for tens of thousands. This, he says, would yield big dividends for the local economy. "We must look boldly to the new Pittsburgh through recycling of urban land," he says.



I.W. Abel (above) is president of the 1.4 million-member United Steelworkers of America (AFL-CIO), which is headquartered in the city. Labor is an active partner with business and government in the development of the area. Mr. Abel is a member of the Allegheny Conference.

"Those of us who lived through the Pittsburgh Renaissance like to say that this area is 20 years ahead of its reputation," says M.A. Cancelliere, chairman of Equibank, N.A., and Equimark Corp., which recently moved into the newest skyscraper in the Golden Triangle.

The world's first commercial oil refinery was built in Pittsburgh, and Gulf Oil Co., headed today by Chairman B.R. Dorsey (above), opened the first U.S. drive-in gasoline station in the city in 1913 and distributed the first free road maps the next year.

PITTSBURGH: Out From Under the Pall of Smoke *continued*

tive officers of corporations in the area. A 25-member executive board began meeting in the select Duquesne Club once a month. It still does.

Banker Richard King Mellon—a nephew of Andrew as well as one of the driving forces behind the Allegheny Conference—and Democratic Mayor David Lawrence are credited with bringing together divergent forces in the city to launch Pittsburgh's postwar renaissance.

First, the smoke and smog problem was solved with a decision that all business would change over to cleaner coal or other forms of energy by Oct. 1, 1946. By Oct. 1, 1947, all residential heating would have to make the conversion.

Some businesses weren't too enthusiastic. Railroads, for example, were distressed by a requirement that they change to diesels earlier than they had planned. Theodore L. Hazlett, Jr., whose first client as a Pittsburgh lawyer was the newly formed Allegheny Conference, recalls that in one railroad's case it only took a phone call from Mr. Mellon, a principal stockholder in the railroad, to bring acquiescence.

Almost overnight, Pittsburgh came out from under the pall of smoke.

Urban development law

Plans were laid to also clean up the industrially polluted rivers. Today, water sports are enjoyed on the

Allegheny and the Ohio. That will also be true soon on the Monongahela—already the fish have returned.

Thanks to some head-knocking in the state legislature by Pittsburghers, an urban development law was enacted in 1945 that gave cities the power to take over land for redevelopment, clear it, and sell it to private developers.

In 1947, the state insurance law was amended to allow insurance companies to invest in real estate in Pennsylvania. Equitable Life Insurance Co. agreed to undertake—in Pittsburgh—the first large, privately financed downtown redevelopment project attempted in the nation.

The state acquired 36 acres on the



Find Pittsburgh in this picture

On a clear night, eastern United States looks like this from 450 miles up.

The image was taken from a weather satellite with Westinghouse sensor and display equipment. Bright spots are lights

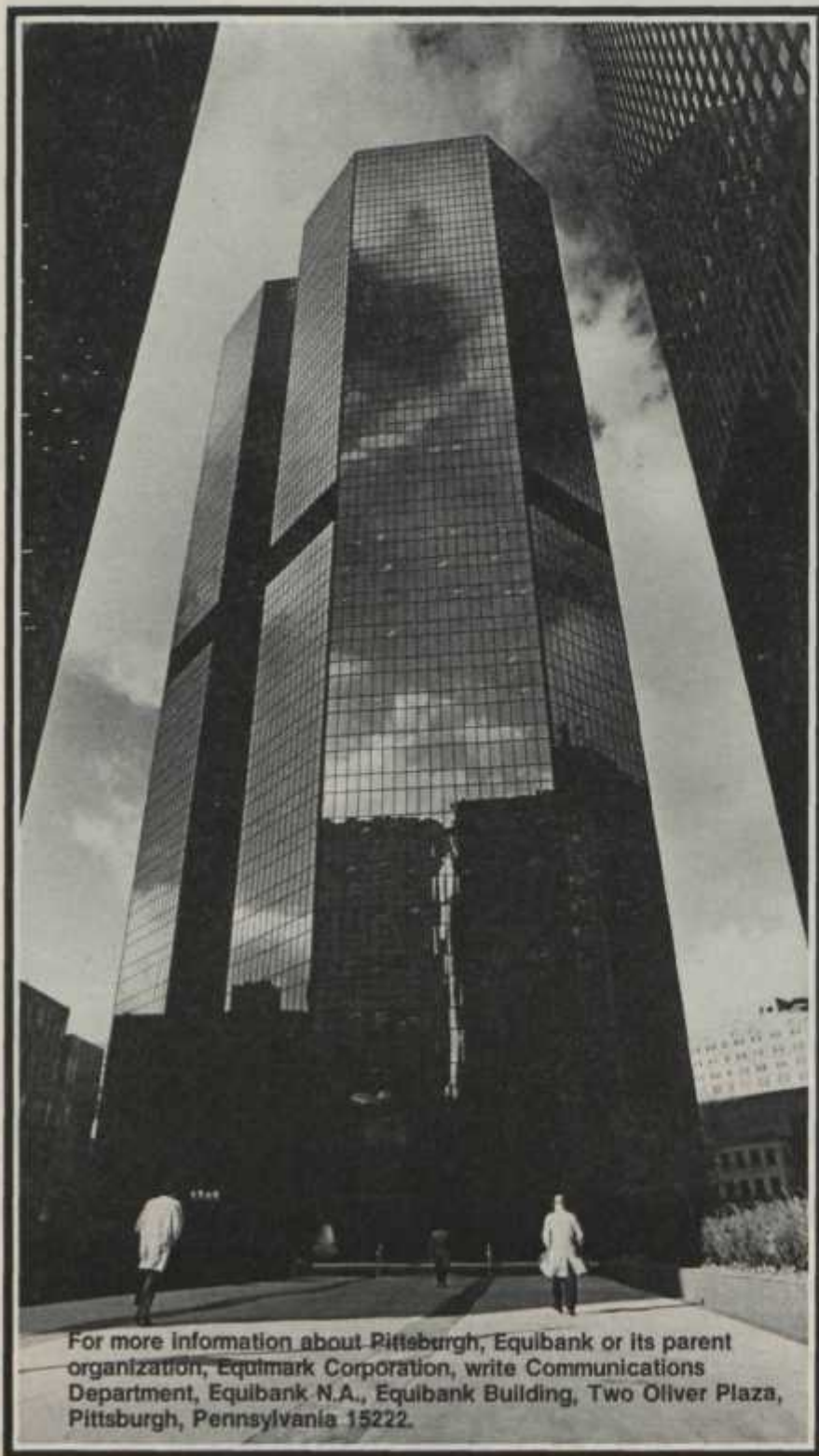
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For more information about Pittsburgh, Equibank or its parent organization, Equimark Corporation, write Communications Department, Equibank N.A., Equibank Building, Two Oliver Plaza, Pittsburgh, Pennsylvania 15222.

PITTSBURGH: A Boom in Office Space *continued*

Point for a park. An unsightly industrial slum was razed. The only structure left standing was the old Ft. Pitt blockhouse. Then, the city acquired 23 acres abutting the new park and leased it to Equitable for 20 years for a total cost of \$1 million.

Office building boom

In 1952, Equitable built Gateway Center, which originally consisted of three office buildings providing one million square feet of office space. The occupants of these stainless steel buildings were such major firms as PPG Industries and Jones & Laughlin Steel, which signed long-term leases. More office buildings were erected later, along with a hotel and apartment houses. On the northern edge of downtown, a 17,000-seat civic center was erected, featuring the largest movable roof of its type in the nation.

Elsewhere in the downtown, the Mellon family donated millions for a square with a multilevel garage beneath it. Alcoa put up an eye-arresting building, and, finally, U.S. Steel erected its imposing office spire that overshadowed the Gulf Building—the last tall building erected in the mid 1930's, before floods discouraged further construction. Across the Allegheny, the city built a new stadium as a home field for the Pirates and pro football Steelers, and Alcoa built Allegheny Center, a massive office and apartment complex that is a city within the city.

When it was all finished, Pittsburgh was second only to New York in the amount of office space erected since World War II. The occupancy rate exceeds 90 percent. Apartment complexes have been added, and a new trend is to convert old downtown office buildings into apartments.

The renaissance was further aided by the conversion of an old movie theater into sumptuous Heinz Hall for the Performing Arts. And small merchants and businessmen added to the downtown's vitality by turning old Market Square into a jazz mecca, complete with gaslights.

Spreading the base

Pittsburgh today is no longer dependent upon steel and coal for its prosperity. Since World War II, the



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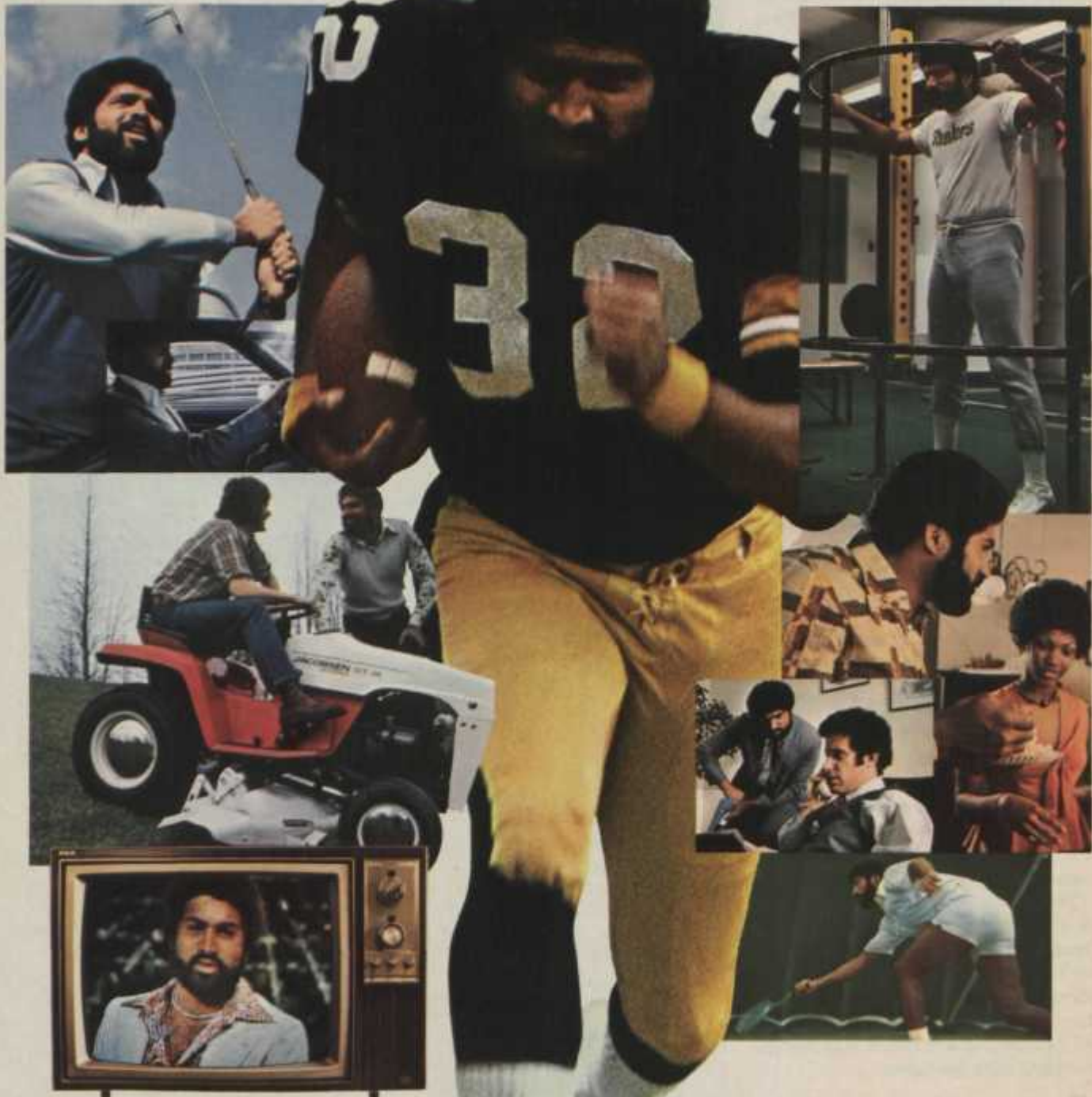
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ALLEGHENY LUDLUM INDUSTRIES

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PITTSBURGH: "Enormous" Economic Strength *continued*

area has been the scene of much diversification. Now, after steelmaking and the manufacture of heavy machinery, research and development is the area's third largest employer with more than 15,000 scientists and engineers at work.

The area ranks 16th in the nation in number of industrial plants, seventh in number of industrial workers, and ninth in value added by manufacture.

According to the Greater Pittsburgh Chamber of Commerce, more than 6,000 different products are produced by a labor force of more than 225,000. There are 134,000 steelworkers in 153 plants that produce 20 percent of the nation's steel.

"Made in Pittsburgh" is stamped on heavy, electrical, and steel mill machinery; railroad brakes; mine safety equipment; and fabricated metal products. Many of the sturdy tugboats that push long strings of barges down the Ohio are launched on Pittsburgh's riverfront. Also, the area produces coal and coke; electrical equipment; chemical and petroleum products; food and food products; paper products; printing, lumber and wood products; and furniture and household fixtures.

Many corporate headquarters

Pittsburgh is also the third largest corporate headquarters city in the U.S. after New York and Chicago. Sixteen of the nation's largest industrial firms have home offices there: Gulf Oil, U.S. Steel, Westinghouse Electric, Rockwell International, National Steel, Alcoa, PPG Industries, H.J. Heinz, Wheeling-Pittsburgh Steel, Allegheny Ludlum, Koppers, Cyclops, Joy Manufacturing, H.K. Porter, H.H. Robertson, and Copperweld.

The Pittsburgh area is second in the nation in control of invested capital. Four of the region's banks are in the top 100 in total resources. Of the four, Mellon Bank, N.A., is the clear leader, with nearly \$10 billion in assets and deposits, followed by Pittsburgh National, Equibank, N.A., and Union National.

A big bonus for the city is the educational complex in the Oakland section. There, four universities and colleges have contiguous campuses—the

University of Pittsburgh, Carnegie-Mellon University, Chatham College, and Carlow College. A few blocks away are Duquesne University and several smaller colleges. Hospitals and other medical facilities in the university complex make it one of the nation's most outstanding medical centers.

Unlimited potential

For the future, Pittsburgh has unlimited potential, says Robert E. Kirby, chairman of Westinghouse.

"Our long-range research and development is aimed toward the goal of enough electrical energy to handle future needs," he says. "Pittsburgh is ideally suited to be the energy capital of the nation. It has the steel, aluminum, coal, and transportation to make it the center."

Pittsburgh is more than a steel city, notes B.R. Dorsey, chairman and chief executive officer of Gulf Oil. "Over the years, a transformation has taken place. Few cities anywhere in the nation have such an enormous concentration of manpower, manufacturing facilities, and financial strength—all elements in the successful solution of our current energy problem."

John M. Arthur, chairman and chief executive officer of Duquesne Light Co., says the area can rightly claim the title of nuclear capital of the nation, since the first commercially produced nuclear power came from his company's Shippingport plant, and so will the first power produced by a breeder reactor. A thorium-uranium light water breeder reactor is slated to be in operation there by 1977.

"I have found America"

Proud of its past and present, the city is looking to the future. On the drawing board is a convention and exposition center, and ahead is a possible international exposition in the early 1980s.

Pittsburgh would be a logical site for a world's fair, if one foreign visitor is any barometer. After seeing many American cities, he marveled at the energy Pittsburghers have shown in making their city progress.

"At last," he exclaimed, "I have found America." **END**

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How to Protect Yourself Against Inflation

A noted investment counselor explains his views on how you can benefit through investment planning

AN INTERVIEW WITH DAVID L. BABSON

TODAY'S PERSISTENT INFLATION and the economic turmoil that goes with it pose difficult problems for the person fortunate enough to have spare cash to set aside for the future.

Among major areas of personal investing, money in an insured savings account is safe in terms of fixed dollars—but those dollars are largely eaten away by rising prices.

Bonds have attraction for some people, but bonds, too, are tied to today's dollars, and there is always the risk that fluctuating interest rates will affect the bonds' value if they are sold before coming to maturity.

The complications involved in real estate investing cause it to be shunned by many people.

As for common stocks, the typical investor often is confused by conflicting advice from brokers and advisory services.

What is the best approach to personal investing in a period of uncertainty like the present? Are there commonsense rules that can help an individual manage his money and get on the road to investment success?

For answers, NATION'S BUSINESS

turned to a Boston investment counselor whose professional experience spans more than four decades.

David L. Babson got his diploma from Harvard and started his career in June, 1932, in the very week that stock prices reached their lows of this century. In subsequent years, while building up his investment management firm, he watched the turnabout in investors' thinking from the hopeless days of the 1930's, when everyone thought America's days of growth were over, to the performance era of the mid-1960's, when exuberant stock buyers thought the sky was the limit.

Noted in the investment business for his independent turn of mind and his unflappability in times of market upheaval, Mr. Babson was a pioneer in recommending the careful selection of quality growth stocks—a philosophy he has never abandoned. In his view, the way to make and conserve money in stocks is not through in-and-out trading, but through investing in high-grade shares that will grow with the country's expanding economy.

In the following question-and-answer interchange, Mr. Babson gives his current views on the investment outlook and offers practical suggestions on how to safeguard assets in an inflationary climate.

Mr. Babson, is this an especially difficult time for an individual to make sound decisions about his personal investment program?

Yes, in the sense that the period we are in is clouded with more potential problems and more uncertainties than we have seen for a long time. Of course, investment planning is never an easy task. It requires time and thought and a realistic appraisal of one's objectives for the future.

What do you see as the top problem for investors now?

There's no question that it centers on the prospect for continued inflation—price increases that are going to run far higher than we'd like to see. In my opinion, inflation is—and will continue to be—the number one force affecting our lives, and that includes the social, political, and eco-

conomic aspects of our lives as well as the investment aspects.

What other uncertainties complicate investment planning right now?

I'd include the problems stemming from the energy crisis, volatile interest rates, changing patterns of consumer spending, public sentiment against business, and new threats of government regulation and intervention.

Why do you call inflation the biggest problem, when the recession has cut the inflation rate?

That has happened only to a limited extent, and it has been more than offset by the political forces behind inflation. In fact, the biggest difficulty today is that few people understand that inflation is basically a political problem, not an economic one. The political pressures for more inflation are more powerful now than ever before, and an investor will ignore them at his peril.

What are those pressures?

In my view, the most important are these: (1) The steady growth in government spending, which in the past 20 years has climbed two-thirds faster than our private economy has expanded; (2) lopsided tax policies that hold down savings and investment and impede the flow of capital into productive channels; (3) the spreading network of government regulation of private business, which cuts efficiency and productivity; and (4) the upward ratchet effect of pay increases which have led to a widening gap between labor costs and output per man-hour.

On top of all this, you have wide misunderstanding on the part of people generally about how our economic system works. That aggravates the other problems and causes Congress and the public to demand more from the economy than it can deliver.

Do you see any signs of a change in direction?

Unfortunately, no. All the signs point the other way. As a nation, it took us almost 200 years—until the early 1960's—for our federal budget to cross the \$100 billion mark for the first time. Now, only a dozen years later, we not only have a second and



The top problem for investors now . . .

"Few people understand that inflation is basically a political problem, not an economic one. The political pressures for more inflation are more powerful now than ever before, and an investor will ignore them at his peril."

"In the past 45 years, only two Congresses have held down spending. The last one to do so was more than 20 years ago."

"Despite the agonies of New York City and some other areas of the municipal market, the vast majority of state and local government bonds are not in distress."

How to Protect Yourself Against Inflation *continued*

a third \$100 billion, but we are fast approaching the \$400 billion mark.

President Ford has pledged to try to cut the rate of inflation and hold down federal expenses—

That's true, but he has to have cooperation from Congress—and in view of its record, I'd say the chances of Congress doing anything are zero. In the past 45 years, only two Congresses have held down spending. The last one to do so was more than 20 years ago. Since then, the ratio of voters who receive regular government checks to voters who pay taxes has really ballooned. No, I see little chance that the inflation problem can be solved under our system of government.

What are the implications of all this for the person with extra cash to invest?

Just one thing—that every investment decision must be made in the light of continued inflation, with the probability that its rate will average higher rather than lower in the years ahead.

In practical terms, what does that mean for today's investor?

Well, when you come right down to it, if you're a typical investor you have only two practical alternatives—bonds or savings accounts and certificates of deposit on the one hand, and common stocks on the other. You can get a return of maybe six to nine percent, with safety, on bonds and large savings accounts. But as long as inflation is running at about that rate—six to nine percent annually—you're not getting anywhere.

That leaves common stocks, and most of them are hurt by inflation, because it cuts their earnings. But some companies in the strong-growth category do have characteristics that permit their earnings to rise faster than the rate of inflation, and I think that's where an individual who is fairly young, or in his middle years, should have a major portion of his assets.

Do you think this country's economy is going to continue to grow the way it has over the past century—dou-



"The person who tries to make money by jumping in and out of a stock—trying to buy low and sell high— isn't investing at all. He's gambling."

"Never buy a stock with the idea of getting rich quick."

bling in size about every 16 years?

It's difficult to go against history, but most of today's trends indicate that the average annual growth rate of the economy is likely to run below its long-term trend line in the next few years, before it can speed up again.

What percentage of an individual's assets would you suggest be in common stocks?

That depends, of course, on the circumstances in each particular case. Judgments must be made in the light of a person's age, family situation, adequacy of savings for emergencies, and amount of money available for investment. But, as a general rule, 60 to 70 percent of an investment account should be in stocks.

Where would you put the rest?

In a portfolio of short-term dollar assets, with maturities averaging three to five years. This could include Treasury notes, obligations of federal agencies, or the short-term debt of top-rated corporations.

What about tax-exempt bonds?

Yes, where the tax circumstances of the investor indicate tax-exempts are suitable. Despite the agonies of New York City and some other areas of the municipal market, the vast majority of state and local government bonds are not in distress. And many well-backed tax-exempt revenue issues are satisfactory.

How do you answer an investor who wants your advice on which types of

GET RICH SLOWLY

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The world is filled with get-rich-quick schemes. Most of them, alas, don't work—and cause unwary investors to lose millions of dollars every year.

But there are many excellent and completely sound opportunities to get rich slowly that often are overlooked by the average person.

For instance, did you know that if you started investing just a little more than \$80 every month at the age of 30, and got a 15% return compounded annually, by the time you were 65 it would add up to \$1,013,346? Over a million dollars from about \$80 a month!

Of course, this does not take into account the income tax you would pay on the return from your investment. But sound tax planning can reduce this factor to a minimum.

And if you are older than 30, it is true that you do not have as long a period of time to pyramid your savings, but you probably are earning more than you did at 30 and can afford to save and invest more than \$80 a month.

\$80 a month, admittedly, is not "small change." But with shrewd money management, many families can save that amount. And getting a return of 15% on an investment, although very good, is not as impossible as it may sound.

In one recent 20-year period, the combined annual return from dividends and capital appreciation on all common stocks averaged 14.3%. And returns in selected kinds of stocks were much higher. So even in periods when the average return does not approach 15%, the returns from individual stocks may do so.

Similar returns may be found in well-chosen real estate investments or in a carefully managed family business.

Then why don't most of us end up with at least a million dollars by the time we're 65?

Sometimes it is due to unavoidable circumstances—unemployment, family illnesses, and so forth. But surely an important factor is simply a lack of knowledgeable planning and sound money management.

It is with this common problem in mind that the publishers of *U.S. News & World Report* have now developed the **MONEY MANAGEMENT LIBRARY.**

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To introduce you to this eye-opening series of books, we would like to send you the first book in the series to read and use free for 10 days. It's on a subject which affects virtually every financial transaction you engage in, and which can dramatically influence your financial well-being for better or worse: *the law.*

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—An eight-point checklist to help protect yourself when a personal injury incident occurs.

—How to use a merchant's Retail Installment Contract to "shop around" for a better buy elsewhere.

—Five rules to help you protect yourself against deceptive sales practices.

—Oral agreements: when are they valid contracts and when are they not?

—How just a few sentences in your will can save your heirs hundreds or even thousands of dollars.

—If you sell real estate, you can save yourself thousands of dollars by having your broker sign an "exclusive agency" agreement rather than an "exclusive right to sell."

—How to spot costly problem areas in contracts before you sign them.

—The one important legal document you should not keep in your safe deposit box.

—Federal income tax audits: how to determine beforehand if your return is likely to be "flagged."

—How to go about administering an estate for which you have been named executor or executrix.

—A simple step that saves your life insurance proceeds from estate taxes.

—The value of saving your "closing statement" when you buy a home.

—Are you really protected if you hold onto your income tax returns for the customary three-year "statute of limitations" period?

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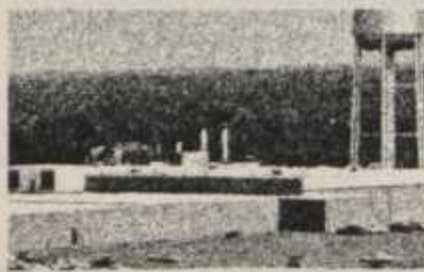
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North Carolina

How to Protect Yourself Against Inflation *continued*

stocks have the best chance of outpacing inflation?

The best way to pick stocks is to study the track record of successful corporations. Over a long period of years, our firm has been rating industries by their inflation-resistant characteristics and their potential for steady growth. The companies we have favored meet these specific tests:

- They are well-managed, successful enterprises in industries where demand grows faster than the economy in periods of expansion and declines less in recessions.
- They have low direct labor costs in relation to sales.
- They have pricing flexibility.
- Their profit margins are higher than average, and their operations are not subject to stringent government regulation.
- They are research-oriented, bringing out a continuous flow of new products and processes.
- They retain a large part of earnings to finance further growth.
- Their capital needs are low relative to output.

What stocks can you cite that meet these requirements?

Some of the most promising ones make up our index of 12 growth stocks: American Home Products, Coca-Cola, Dow Chemical, Eastman Kodak, Honeywell, IBM, Merck, Minnesota Mining, Procter & Gamble, Provident Life, Sears, Roebuck, and Xerox.

There are many other good stocks as well, many of them equally good. But these make up our index. The point is that you need some guidelines for judging the worth of stocks, and I've listed guidelines I use. These fit those guidelines.

The Indicator Digest's unweighted index of all stocks traded on the New York Stock Exchange has dropped to one third of its peak level reached in 1968. The New York Stock Exchange's own weighted, composite index has dropped by a fifth since then. In the same period, our 12-stock index has just about doubled.

Do stocks of this type tend to sell at a premium over most other stocks?

Yes, in terms of their price-earn-

ings ratio—the ratio of the price of each stock to its annual per-share earnings after taxes. And there's a reason: These are the companies that are making progress, the leaders in their field, the top-drawer equities. They ought to sell at a premium over the run-of-the-mill issues.

Does your policy of seeking out promising growth companies lead you to find smaller companies as well as blue-chip giants?

Selecting promising smaller companies which may become the Xerox or Merck of tomorrow is a difficult and hazardous exercise for the simple reason that only a tiny fraction of all small companies are ever going to make the investment grade.

It is far better to spend time among companies which, while still relatively small compared to Minnesota Mining and Johnson & Johnson, are out of the adolescent category. I have in mind companies like Nalco Chemical, Signode, Lubrizol, Masco, Air Products, and National Starch.

If someone came to you with \$150,000 or \$200,000 and asked you to put it into growth stocks, what broad categories would you choose?

We'd probably put about half the money into high-technology stocks—things like chemicals, drugs, electronics, business equipment, labor-saving machinery. Then we'd put perhaps one quarter into service industries such as banking, life insurance, business services, and the whole area of leisure time. The rest probably would go into natural-resource stocks such as oils, forest products, building materials, and certain minerals.

Suppose an investor puts his money into a portfolio of stocks in these businesses. How does he know when to sell?

If he has chosen wisely in the first place, he shouldn't have to face that decision very often. My personal philosophy is never to buy a stock that I think I'll have to sell. That's a bit oversimplified, of course. To put it another way, I try to concentrate on quality stocks in industries that are growing. If I have chosen judi-

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How to Protect Yourself Against Inflation *continued*

ciously, I can count on the momentum of our economy to carry the stocks forward.

But suppose a stock goes sour—

Then it should be sold. Even quality stocks can lose their buoyancy and fall behind the procession. They have to be watched and studied. But when I buy a stock initially, I do so with the idea that I'll stick with it. The person who tries to make money by jumping in and out of a stock—trying to buy low and sell high—isn't investing at all.

He's gambling.

Over your years in the investment business, have you ever been burned by holding a company's stock too long?

Yes, lots of times. In fact, the most difficult task in the investment management field is detecting in time when a formerly great company has gone over the hill. The really successful, dominant growth stocks are usually attractive values only when they run into problems, thus knocking down their market prices. We look upon such times as buying opportunities, but, unhappily, sometimes the problem turns out to be basic rather than temporary. That compounds the problem.

You've suggested that quality stocks will grow with the economy, but you've also painted a pretty gloomy picture of the pressures that will fuel inflation. Isn't there a chance that, if inflation gets out of hand, even the best companies won't do well?

In the end, no one or no type of investment benefits from inflation—all are penalized, only some more than others. The companies with the best inflation-resistant characteristics should not be hurt as much as those which do not have all or most of these characteristics.

What about the person with only a limited amount of cash to invest at one time—is a mutual fund the best bet?

Yes, a well-managed fund is the most practical and safest way for the person with a limited amount of capital to get a stake in the stock market. Naturally, he should be sure he picks

a fund whose investment policy is sound, whose management isn't trying to speculate with the shareholders' money, and whose basic philosophy is to concentrate on the sort of companies I've been discussing. Also, the fund should conform to his long-range investment goals.

Is it important for everyone to have a basic investment plan?

Certainly—have a plan and stick to it. That's the first rule of successful investing, and it's particularly essential for people whose investments include common stocks.

It's amazing how many supposedly experienced investors get panicky and sell even their high-grade stocks

pany. They don't rush out and sell their firm at the first sign of a decline in sales.

And they don't bring in outsiders to appraise the value of the enterprise every day. What a waste of time that would be!

Yet, some of these otherwise sensible people lose their perspective when it comes to buying stocks.

What other investment rules can you cite?

I'd list three or four others that have stood the test of time and are mostly a matter of common sense.

For example, never buy a stock with the idea of getting rich quick. Over the past 90 years, the return

"The reason a company is tops in its field is because it has good products, good merchandising, and good management. . . Time is on the side of the individual who buys and holds the stocks of financially strong, well-run companies."

when the market has a sinking spell. There's hardly a publicly traded stock whose price doesn't fluctuate widely from year to year, daily, or even hourly. The person who gets nervous at every little jiggle on the ticker tape probably shouldn't own common stocks at all.

Are you suggesting that the buyer of a stock should take the attitude that he is becoming part-owner of the company he invests in?

Exactly. It would be a great thing if more people were to put themselves in that role, rather than merely becoming buyers of certificates they hope to sell to someone else at a higher price later on.

Many people who seek professional investment advice are owners or managers of private businesses. They understand the current problems and longer range prospects of their com-

on common stocks—gain in market value, plus dividends—has averaged about nine percent a year. This is far from spectacular, but it is realistic. And it is considerably better than the return, over the same period, on bonds and savings accounts. With careful selection of stocks, it's a record that probably can be equaled in the future.

Another point: Ignore the popular trends. The investor who follows the crowd seldom has effective results. The fact that a stock or group of stocks is highly popular at a particular time tends to drive up their prices above real values, simply because there are more people who want to buy than to sell. Conversely, the really good values often show up in companies or groups that are temporarily out of favor.

What groups of stocks would you say

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How to Protect Yourself Against Inflation *continued*

might be overvalued at this particular time?

Not many groups are overpriced at present, but I think many groups are not very attractive for long-range investment under inflationary conditions—for one example, regulated industries such as airlines and electric utilities and, for another, the fire and casualty insurance business.

You were giving us your basic rules for investment—

Yes, and an important one is to diversify an investment package. The investor who hopes to do well in stocks should own a selection of different companies in varying industries—concentrating on those industries and companies whose expansion in sales volume and earning power in years ahead appears certain, based on all facts now at hand.

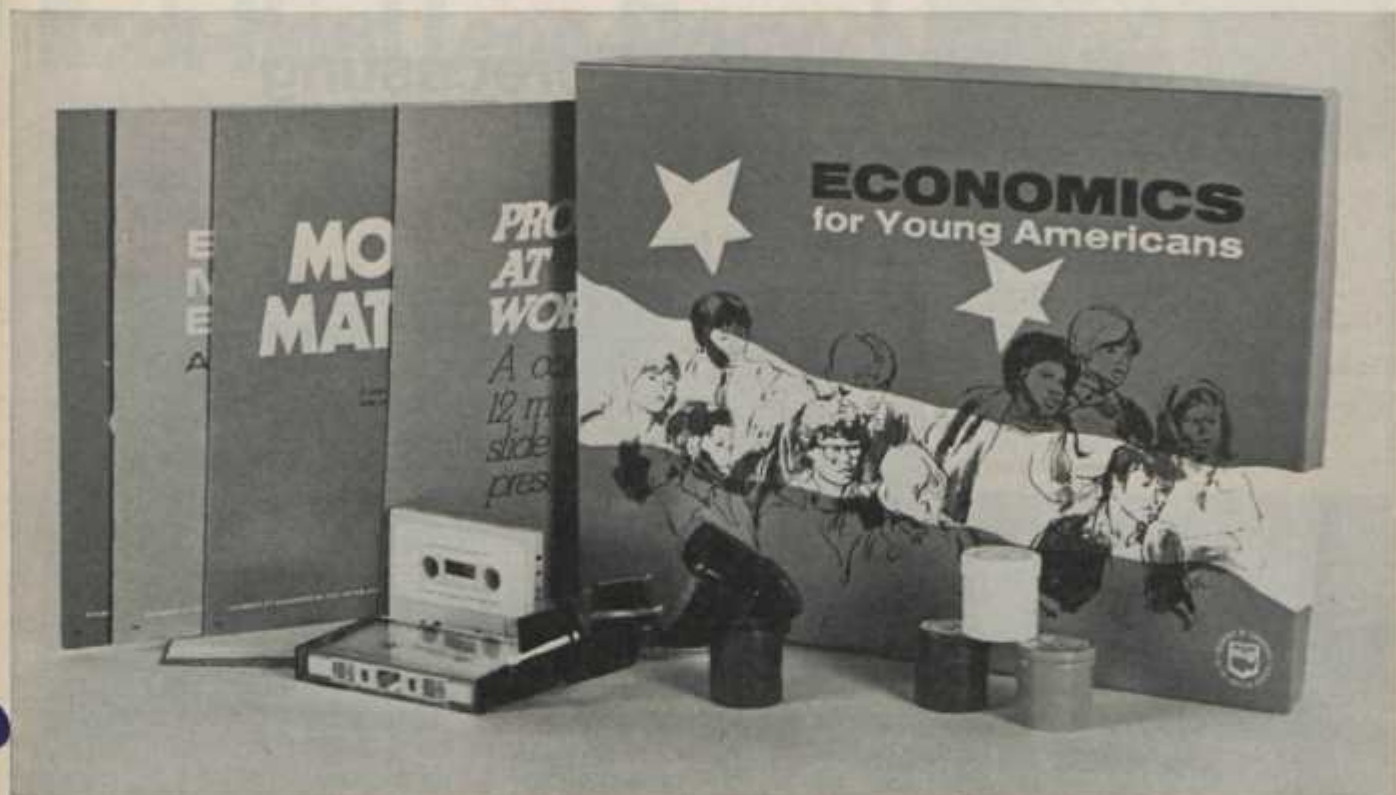
As I mentioned, the investor who sticks with the successful, leading companies will have fewer headaches than the one who listens to tips about undiscovered stocks or a second-rate equity that's ready to turn the corner. The reason a company is tops in its field is because it has good products, good merchandising, and good management. The things that have made it more successful than its competitors over a long period are likely to keep it that way. It's wiser to buy stock in such a company than to buy an unsuccessful one in the hope that at the latter firm things will change for the better. Sometimes, that works. More often, it doesn't.

In any case, the person who owns a portfolio of quality stocks should pay no attention to guesses as to what the stock market is going to do over the next few weeks or months. Nobody knows or can know. If that were possible, we'd have a lot more millionaires in the investment-management field and a lot more millionaire investors.

Finally, the successful investor must be patient. Time is on the side of the individual who buys and holds the stocks of financially strong, well-run companies. The temporary problems such companies face tend to work themselves out over a period of years.

END

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How Company Forecasting Can Improve

Experience of the past two years should help forecasters do a better job for business planning

BY EDWARD C. MULLER

The economic roller-coaster ride of recent years, culminating in the deepest recession in the memory of most U.S. citizens, has provoked understandable suspicion of economists' ability to adequately predict business trends.

Criticism of economists peaked early last year, when the abruptness and intensity of the recession caught the country virtually unaware. Economists of all persuasions and areas of employment, including the highly regarded economic consulting services, came in for their share of attention.

Probably the most uncomfortable prognosticators were the corporate economists. Although virtually every corporate economist had said a recession was inevitable, very few had forecast accurately the downturn's timing or severity. As a result, we caught it from all sides—the press; our managements; and, in respect to prices, even our friends and our wives.

How they went wrong

Before proceeding further, the term corporate economist should be defined. While such a title may not exist in many major firms, this is the fellow responsible for tracking the general level of business activity and predicting its effect on market demand, production, sales, and profit-

ability for his company and its industry.

Much of the criticism leveled at corporate economists is undoubtedly justified. Events of the recent past have caused significant changes in management's attitude toward these economists and the role they play. How did they go wrong?

A combination of events occurred

in 1973-1974 that was completely unlike any in previous experience.

The economic data bases, in which great faith had been put as being true reflections of reality, became badly distorted by the high rates of inflation. Phased price controls damaged the data, there were constant data revisions of major proportions, and the figures on inventory accumulation and inventory-sales ratios became just short of worthless. The oil price increase played hob with the wholesale price index first, and then with the consumer price index.

These shocks and deficiencies combined to seriously distort perspective and make strong contributions to a general lack of good foresight.

A shift in the marketplace

The recent boom and bust, and the now-developing recovery, have had a base that is perhaps more social or behavioral than economic.

While the economist was preoccupied with examining the effects of policies on total demand, a subtle shift in attitude was occurring in the marketplace. Retail sales peaked, and then they began to decline in real terms in November, 1973. Real personal income and real disposable income also declined as a result of inflation, and inflated nominal in-



Mr. Muller is director of the marketing research and business economics department at the St. Regis Paper Co.

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Ike Berger explains What is Synometrics?

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HY. HARRIS, New York, N.Y.

comes pushed consumers into higher tax brackets. Consumer confidence plummeted.

Meanwhile, the business attitude shifted from buying supplies in anticipation of higher sales to buying in anticipation of higher prices or shortages.

The latter anticipations were largely created by the imminent removal of the government's four-year series of price and wage controls. To some extent, businessmen also were accumulating inventory at low prices in hopes of generating large inventory profits, and this was poorly reflected in the economic data bases as then published.

Apparently, the awakening that expectations were running ahead of reality hit just about every industry at the same time—September, 1974. The scene changed rapidly at that point, as is only too well-known.

Sharpening judgment

What of the future? A set of experiences such as these—although painful—is not without value. While the economists' tools may be criticized, it would be more fruitful to use the experience to sharpen judgment in the use of these tools.

For example, through most of 1974, our econometric models at my company consistently underpredicted demand for our products. Shipments and production consistently ran ahead of forecasts. The underpredictions of 1974 equaled almost exactly—but in the opposite direction—the differences between forecasts and actuality in the first half of 1975. While the inventory data in the gross national product table didn't help much, there were other signs which should have given us clues as to the true situation.

Much work has already been done to eliminate distortions in the economic data bases. The Commerce Department's revised series of leading indicators is an example. However, much more remains to be done.

The battered consumer

Promising areas include the role of businessmen's expectations, and consumer confidence and buying patterns.

Currently, there are great gaps

in the data, and what does exist is extremely difficult to integrate into rigorous models.

The consumer has been battered and bruised in this period. Great changes have taken place in his world, which is now more uncertain than ever. Consumer confidence is a fragile element, and it is subject to wide swings.

There seems to be no question that the consumer is restructuring his expenditure patterns in response to this buffeting—especially in response to the escalating costs of such basic items as food and fuel. Unfortunately, at the moment, not much hard data exists to indicate how his expenditures are changing in response to his shifting values and his new perception of the world.

Closer attention will be paid to the behavioral and social aspects of the current economic climate. Perhaps there will be less preoccupation with macro policy matters, and fewer attempts to gauge what a particular set of government policies will be in the immediate future. The data bases will be cleaner, less subject to distortion, and more critically examined for their true meaning. Some way will be found to better factor in the role of both businessmen's expectations and consumer attitudes.

Future supplies

Also, the corporate economist must reexamine the previously largely ignored supply side of the equation. While there is, currently, a superabundance of supply, this will not continue into the indefinite future. No longer can we assume our raw materials and other resources will be available to us in virtually limitless quantities. This will, or should, cause a reappraisal of the role of prices in resource allocation—particularly a reexamination of the relation of individual commodities' prices one to another and to the general price level, and a determination of the price levels at which one commodity will be substituted for another.

Perhaps the most important change in the corporate economist's role will be in that of a communicator. Economists generally have been put down as poor communicators who place inordinate faith in a con-

fusing professional jargon. Corporate economists should refrain from highly technical speculations on the economy as a whole in favor of a narrow role—defining the effect on the company. This means understandable business language: sales, not GNP; product price changes or cost changes, not inflation rates. Clearer coupling of economic causes and effects is mandatory.

We now have a better feeling of how the individual company is affected during a recession. Each new set of factors—economic, social, political—which distorts the economic equilibrium can be recognized and filed for future reference.

In fact, we should be more successful in predicting the effects that not only a recession, but also a boom or inflation, will have on our companies.

To each its own cycles

Each segment of the economy has its own cycles and undergoes its own fluctuations. The positive side of the last half-decade's economic ups and downs comes from gaining a better insight into the effects these fluctuations have on the other segments of the economy.

For example, the financial markets are presently disturbed by the liquidity problems of a few large municipalities, most notably New York City. Corporate economists needn't speculate on how financial markets in general will change. Rather, they should concern themselves with what effects these possible changes would have on their companies and their industries.

I can't emphasize strongly enough that corporate economists must stick to their primary role of predicting market demand, sales, and profitability for their companies. They must increase efforts to minimize errors in forecasting the effects that business fluctuations will have on their companies.

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Ways to Tell the Business Story

BY HARRY P. LETTON, JR.

Millions of Americans have alarming misconceptions about their private enterprise system. Here are some things you can do about that

MOST Americans are familiar with the concept of profit as a reward which stimulates the businessman to try harder. Far fewer people, however, give the profit incentive its due for increasing supplies and lowering prices.

Profit acts as a magnet to attract resources to the production of goods the consumer wants. It also establishes priorities for the use of resources.

When a basic raw material is in short supply, its price goes up. This has several effects.

First, the products in which the material is used become more expensive to buy. As a result, demand for them drops, fewer of them are made, and there is less of a drain on the scarce material.

Second, the price increase may make the use of substitute materials more economical—or at least it will stimulate a search for substitutes.

Third, the price increase stimulates a greater effort to find new supplies of the original material.

As new supplies are found, the price drops.

It's no wonder, of course, that this point is overlooked. A system in which the pursuit of profit results in lower prices sounds too good to be true. But that's precisely the way the system works.

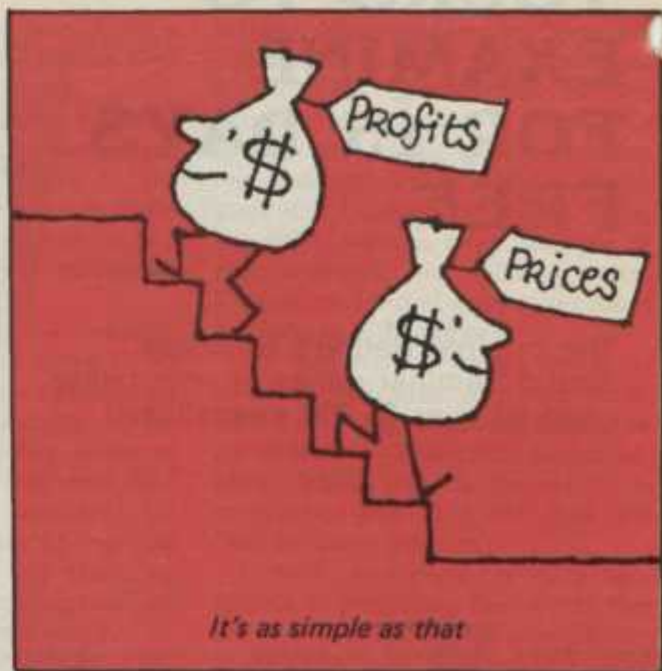
Misconception about profit levels

It would certainly help if Americans had a more accurate idea about profits. Not just what profits are all about, but also how much profits amount to.

You may have seen the results of a recent nationwide public opinion poll on the subject, covering all age groups.

A majority of those polled believe that business profits average 28 percent of sales, after taxes.

They also believe that this is too much. Instead, they feel that ten percent, after taxes, would be a fair profit. In fact, at the time of the poll, after-tax profits aver-



DRAWING: CHARLES A. BURN

aged only four percent. The 20-year average is about five percent.

Where do people get such misconceptions? Sloppy, inaccurate media reporting is certainly a factor. Teaching at various educational levels that is sloppy, inaccurate, and often biased is undoubtedly another.

But our present and very pressing concern should be to discover an antidote, not to find a scapegoat.

What can a businessman do to erase the misconceptions in this important area of public opinion?

First, he can make sure that his business is conducted fairly and that he maintains a single standard of conduct toward government. In other words, business must resist the tendency to decry government interference, when things are going well, but to run to government for rescue, when things go poorly.

Government is just as dangerous in the role of savior as in the role of adversary. In fact, many who have felt the smothering hug of big government in its role of rescuer say they would much rather face it as a foe.

A code to live by

In everyday practices, businessmen can take some steps to ensure credibility and win friends. If you don't already have a code of ethics, you can initiate one and make sure it's fully implemented. It should include these points:

- Be fair and truthful with your shareholders, your customers, your co-workers, your suppliers, and the public.
- Be forthright and honest in all your dealings.
- Be aware of the changing world in which you live and be responsive to it in your dealings.
- Be a responsible and constructive part of the community.
- Strive constantly to improve upon all that you do.
- Conduct business so as to indicate pride in your

efforts and in the products and services you provide.

- Regard as imperative the financial stability and growth of your business, in keeping with the principles above.

Speaking up

But good, well-meaning actions are of little avail if you don't communicate them to a wider audience. There are many communication channels, and all of them are worth consideration. No single audience should be overlooked in this effort to win the minds of the American people.

Here are some of the audiences you should be reaching to combat economic ignorance.

1. Your employees.

They are a potent force to spread your message. Just because they work for you, don't assume that they know more about economic realities than the general public. But by the same token, don't talk down to them or expect them to carry the gospel of private enterprise, just because they are on your payroll. They are intelligent men and women and should be treated as such.

Start out by finding out just what they do know about economics. Take an opinion poll to test the ex-



tent of their knowledge. Then shape your communications accordingly.

Use your company newsletter or newspaper to tell the private enterprise story as well as news of vacations and picnics. Provide letters to your employees, preferably from your president's office, which give meaningful facts about our economy as well as about your own business.

Don't surrender your bulletin boards 100 percent to the unions and the charity drives. Keep some space for

your own messages. Encourage suggestions and playback from your employees.

You can't think of everything. Their ideas may give you a key to how they're thinking and how you can best reach them.

2. Your stockholders.

Personalize your annual and quarterly reports. Make them readable, as well as accurate. Chances are, for too many years the reports have been accurate to a fault, but readable only by accountants or lawyers. Your shareholders can be a large and potent army in



this campaign to improve economic understanding. Enlist their help by letting them know what issues are involved.

Make your reports to them do something more than just meet Securities and Exchange Commission requirements.

3. Young people.

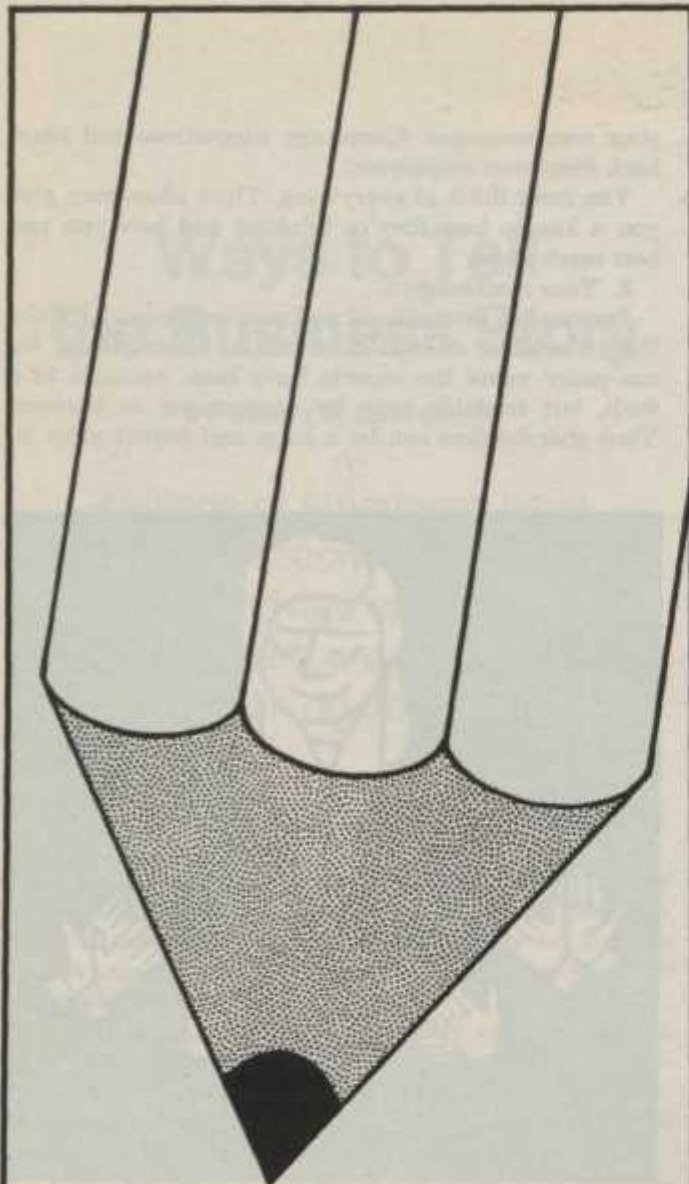
Not only young people, but the men and women who educate them should be prime audiences for the story of our competitive system. Use every means you can to reach them: plant tours, summer labs, internships, career education, school presentations, business-education exchange programs.

Anything you can do to improve the quality of economic education in the schools is worthwhile.

4. The general public.

Develop your own advertising and public relations messages, if you can. If your resources aren't large enough, use the materials of a trade association or a national group such as the Chamber of Commerce of the United States.

But remember: Don't just preach a few windy slogans or the old banalities. By banalities, I mean talking about how long it takes an American worker to



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Ways to Tell the Business Story *continued*

earn the price of a washing machine vs. how long it takes a Soviet worker.

If this system of ours meant nothing more to us than washing machines, automobiles, or shoes, it would deserve to go on history's scrap heap.

Why our system is best

The real superiority of our system is its emphasis on the spiritual values that come from free human beings, able to make their own choices in life. You can't measure that in man-hours worked.

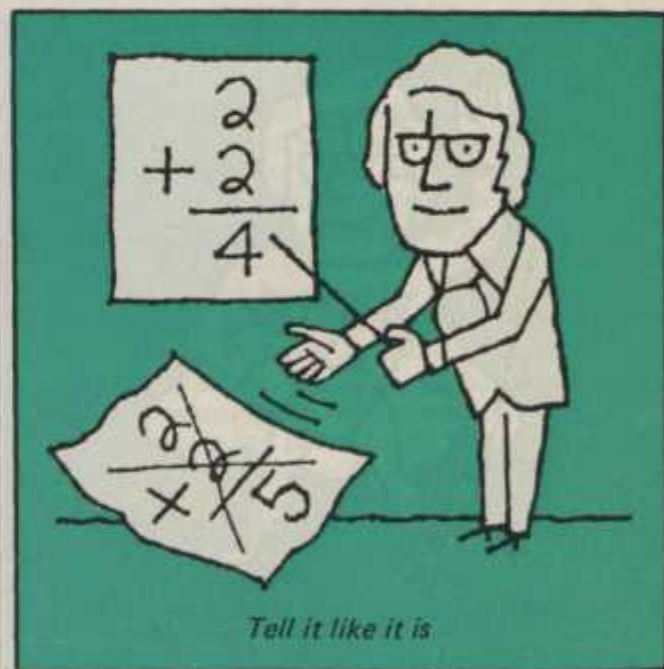
However, you can demonstrate to all the world that these values are the result of a free-market, free-choice economic system.

One of the greatest strengths of our system is the role business plays in supporting civic, charitable, and educational causes of all kinds. Most of the effort goes unsung.

It's a story we should emphasize in any campaign to enlighten the American people.

In the utility business, the cost of supporting these causes comes out of profits, not out of our rates. Isn't it about time for our industry to point out this contribution to the American public?

If we do all these things, then perhaps we can re-



verse the tide of antibusiness thinking in this country of ours.

Then, perhaps, when it is sounded for our bicentennial celebration next July, that imperfect but quite wonderful bell in Philadelphia could really and truly "proclaim liberty throughout the land." **END**

MR. LETTON is president of the Southern California Gas Co. Reprints of this article are available from Nation's Business. See page 24 for details.

Help for Entrepreneurs From an Entrepreneur

When Jenio Paulucci borrowed \$2,500 from a friend to grow bean sprouts in Minnesota, he learned how valuable a small amount of capital can turn out to be.

Mr. Paulucci, son of poor Italian immigrant parents, used the loan to launch one of the great American business successes.

Jenio Paulucci's bean sprouts led him to riches. He created the Chun King Corp., producing Chinese dishes, and sold the firm to the R.J. Reynolds Tobacco Co. for \$63 million cash in 1966. He has since gone into numerous other enterprises, including Jenio's, Inc., producer of pizza products, and The Cornelius Co., an international manufacturer of food and beverage dispensing equipment. Most of his enterprises are immensely successful.

Mr. Paulucci is convinced the same kind of entrepreneurial opportunity exists today. But he says one element is missing—equity capital. He wants to help provide that ingredient.

The Small Business Administration recently approved a license for the Paulucci Venture Capital Corp., of Duluth, Minn., to help disadvantaged and minority businessmen get started in business or expand. The new firm, formed under SBA's minority enterprise small business investment company program, will make available about \$10 million in capital investment money with the aid of banks and SBA.

Such MESBICs, as they are known, are profit-making companies in which the government and private stockholders share risks. They make long-term loans and provide management assistance to small firms, and sometimes they make equity investments in firms they aid. SBA has licensed 77 MESBICs in addition to Mr. Paulucci's. The 77 have private capital of \$38.2 million and government funding of \$40.6 million.



Jenio Paulucci: "There are too many individuals with entrepreneurial spirit, drive, and a good idea who need working capital and guidance, and who are not getting them."

"I started on a risk basis with various companies and turned them into multimillion-dollar operations," Mr. Paulucci says. "Since I, as an Italian-American by the name of Luigino Francisco Paulucci, could go into the Chinese food business in the Scandinavian country of northeastern Minnesota with a \$2,500 loan 30 years ago and then sell the business to a tobacco firm for millions of dollars cash, I want to extend the same opportunity of enterprise to others—except today it will take a lot more capital to start."

"There are too many individuals with entrepreneurial spirit, drive, and a good idea who need working capital and guidance, and who are not getting them."

"Maybe, with this program, we can make individuals and families more self-reliant again."

Mr. Paulucci, who has donated millions to philanthropies, emphasizes that his new firm won't engage in "charities, grants, or giveaways." Instead, he says, the firm will focus on giving the small entrepreneur who has limited capital a fair crack at the American economic system.

While that system has given much

to Mr. Paulucci, his rewards did not come without struggle and hard work.

When his first major business achievement, selling Chinese food, captured national attention, the press hailed his "overnight" success. He later told *Nation's Business* ["Dynamic Growth Companies: J.F.P. Enterprises," March, 1970] that "this overnight success had been getting up at 4 or 4:30 every morning for 15 years and fighting competitors, financiers, government agencies, some railroads and airlines, a union or two, and the TV networks, among others."

Slogans are displayed prominently at all of the varied Paulucci enterprises. Some examples: "I Cannot Give You the Formula for Success, but I Can Give You the Formula for Failure—Try to Please Everybody." "Do What You Think Best—Not What You Think I'll Think."

Mr. Paulucci was born in 1918 in northeastern Minnesota iron mining country, where his parents had immigrated six years earlier. As a boy, he pulled a home-made wagon along railroad tracks, gathering stray coals for the family stove. Later, he unloaded boxcars for \$1 a car.

"Once, I stood in a long, slow-moving relief line to get a handout," Mr. Paulucci recalled in the 1970 *Nation's Business* article. "I couldn't stomach it, so I just stepped out of the line and never returned. Today, I'm still adamantly against any type of dole or relief except for the helpless indigent. The able-bodied man or even boy can always find a way to earn a living." •

continued on next page

A Wheelchair Doesn't Slow This Businessman

As far as M. Connolly Lunsford is concerned, practically everybody has a handicap of some sort. So he doesn't give much thought to his own.

"Actually, people like myself don't see themselves as handicapped," says the 27-year-old Mr. Lunsford, who runs two businesses from a wheelchair—a printing company and a firm that sells and installs automobile hand controls and other such aids for disabled people.

Connolly Lunsford was crippled by polio when he was two years old. But he sought out competition as a way of life, determined not to let his handicap stand in the way of achievement.

Mr. Lunsford holds a black belt, first degree, in karate; a brown belt in judo; and a state championship in weight lifting. He was captain of his high school chess team and a member of a high school debating team that won second place in national competition, and he played on a national championship wheelchair basketball team.



Being handicapped, says Connolly Lunsford, made him competitive as a weight lifter, a karate expert, a chess player, a basketball player, and, today, as a businessman. Here, he works in his instant print shop in Slidell, La.

"Competition is what this world's all about, whether you're physically handicapped or not," he says.

Mr. Lunsford majored in business administration at Florida's University of Miami and attended law school for two years there. While he was in college, he served as a licensed representative of the Manhattan Life Insurance Co.

After completing his education, he formed the Conn Equipment Co., in Lacombe, La., to market devices for disabled persons. Last year, he decided to spread his business wings after leafing through a Commerce Department directory on franchising establishments. He noted that instant printing topped the list of fast-growing franchises. Within a few weeks,

he was attending a training school operated by Kopy Kat, Inc., a Ft. Washington, Pa., instant printing franchisor. Several months ago, Mr. Lunsford opened a Kopy Kat instant printing center in Slidell, La.

Connolly Lunsford will have no hangups about hiring handicapped workers, if his new business develops as he expects it will.

"Every handicapped person I know compensates for his handicap in one way or another," he says. "He sets goals for himself and pushes to achieve those goals. Handicapped people take great pride in productivity, and that's a missing element in much of our society today. It really is good business to hire the handicapped." •

Giving a Hand to the Handywoman

If an idea at General Electric catches on, more and more home handywomen, as well as more home handymen, will repair their own washing machines, refrigerators, and clothes dryers.

GE has opened two diagnostic clinics in the Chicago area where householders can get free expert advice on repairing their major GE appliances.

"These clinics are designed to help the person who believes he or she is competent to make his own repairs, but who would like to have a little technical guidance before undertaking it," says Robert J. Kalember, general manager of General

Electric's product service department.

"There are many such people, and they may be motivated either by the desire to save some money or the satisfaction that comes of doing something for oneself. Either way, we want to help them."

The clinics, one in the city and the other in a suburb, are staffed by technical personnel who help appliance owners diagnose their problems but do not make repairs. Spare parts can be bought at the clinics. One clinic is open on Saturday mornings and the other on Wednesday evenings.

GE tried out the appliance repair clinic idea in 1973, but abandoned it then. Appliance owners didn't show enough interest.

Now, however, the company feels the concept of a free service advice

clinic may catch on with homeowners caught between inflationary and recessionary pressures. A growing number of appliance owners have been asking for technical information and buying parts over the counter at GE outlets.

"We have more women than men coming to our clinics," reports Edward J. Koznarek, manager of GE product service in the Chicago area. "The homemaker is assuming more and more responsibility for keeping the home operating, and that means keeping all the appliances working."

"These housewives are doing their research, and they show a real aptitude. They're inquisitive. When they don't return, I can only assume everything worked out well, and they have fixed the appliance that brought them to us in the first place." •

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BUSINESS: A LOOK AHEAD

By GROVER HEIMAN
Associate Editor

A Better OSHA Break for Small Business

The Labor Department says it is going to give small businesses a new deal by easing their burden of complying with regulations issued by its Occupational Safety and Health Administration.

For one thing, the department is reviewing procedures used to decide which firms should be targeted for OSHA checkups.

"Our goal now," says Under Secretary of Labor Robert O. Aders, "is to concentrate inspection resources on those companies and industries where safety and health problems are the greatest. We feel that, in the past, the extent of our concentration in the small business sector may well have not been justified."

Also, the department says it plans to be

more helpful to small firms by expanding technical services in which businessmen are given advice on how to comply with OSHA regulations. And the department promises to allow small employers a larger role in developing the rules that affect them, by giving them more membership on advisory committees.

On top of that, OSHA standards are being simplified and couched in language more understandable by the layman.

A series of easy-to-read publications on safety and health problems is also being prepared. One of these publications describes how to obtain OSHA compliance loans from the Small Business Administration.

Nuclear Power Gets a Shot in the Arm

A final report on nuclear reactor safety from the U.S. Nuclear Regulatory Commission provides a needed shot in the arm for the embattled utilities that use, or hope to use, nuclear power.

According to the commission, risks attached to the operation of present-day nuclear power plants are very low compared to other risks, natural or man-made, that we face.

Nuclear-fueled plants are about 10,000 times less likely to produce fatal accidents than are fires, non-nuclear explosions, hurricanes, earthquakes, and tornadoes, the report says. It adds that non-nuclear accidents involving comparable dollar value damage are about 1,000 times more likely than nuclear power plant accidents.

The report calculates that the chance of a person living in the general vicinity of a plant being killed in a reactor accident is one in five billion per year. This, the report says, compares to one chance in four thousand of death in a motor vehicle accident and one in ten thousand as the result of a fall.

Following close on the heels of the report, the House extended until 1987 the Price-Anderson Act, which permits immediate federal insurance payment, without proof of fault, for injuries caused by a reactor accident. The Senate later concurred.

Over the years since this bill was passed in 1957, power companies have paid more than \$9 million in premiums to the government—which has yet to pay any benefits.

Help for Communities That Need Industry

Localities that badly need economic development would get a boost in obtaining infusions of capital, under a new bill introduced by Sen. William D. Hathaway (D-Maine). Similar bills have been introduced in the House.

The bills would amend the Internal Revenue Code to allow certain areas to sell up to \$10 million in tax-exempt industrial development bonds.

Present maximum for such bond issues is \$1 million, except in special circumstances,

when the figure can be as high as \$5 million. The change would apply only to communities designated by the Secretary of Commerce as redevelopment areas under the Public Works and Economic Development Act of 1965.

Proposals have been made to make such a change applicable to all areas, but Sen. Hathaway contends that would be too costly to the U.S. Treasury. He says the change should be extended only to areas that need it most.

Move for Openness in Federal Regulation

Its name sounds like a title for a popular song, but the "Government in the Sunshine Act" isn't going to be exactly popular with everyone. That goes especially for regulatory agencies which hold closed meetings.

The measure, passed 94-0 by the Senate and pending in the House, requires congressional committees and 47 regulatory agencies to hold open meetings except in certain instances.

A meeting could be closed only if a majority of a congressional committee or regu-

latory board voted to do so in open session—and only if certain types of subjects were up for discussion. These subjects include matters involving national security, personal privacy, trade secrets, committee personnel, or an ongoing criminal investigation.

One section of the measure establishes an across-the-board statutory prohibition against secret *ex parte* conversations between a citizen and an agency formally adjudicating a matter of interest to that person.

More Americans Are Moving South

More Americans are moving south these days than in any other direction, and the rate of migration to Dixie is accelerating, according to the Census Bureau.

The net gain from population migration which the South witnessed during 1970-75 was almost triple the gain it experienced in the preceding five years.

Up to the 1960 census, the South was suffering a net migration loss. Through the 1960's, the region experienced a net loss of blacks, but a net migration gain was noticed in the white population as early as the late 1950's. The migration of whites to

Dixie has been increasing since, and there is evidence that black outmigration may be now diminishing.

From 1965 to 1970, the South posted a migration gain of 660,000, while the West gained 700,000. In the last five years, the West gained another 700,000, but the South's total jumped to 1.8 million.

During both periods, the Northeast and North Central regions posted net migration losses. The figures do not include children under five, immigrants from abroad, servicemen, and citizens who were outside the country during the time periods.

Farm Exports to Set Records

After some uncertainties, the Agriculture Department now predicts a record-breaking year for agricultural production and exports.

The department's Outlook and Situation Board says exports are expected to reach \$22.7 billion during fiscal 1976—a figure \$1.1 billion higher than the last one the board forecast [See "Business: A Look Ahead," October, 1975.]

At the same time, the board has upped its prediction on agricultural imports from \$9.3 billion to \$10 billion. But the favorable agricultural trade balance of \$12.7 billion

would be the largest in the nation's history. Last fiscal year, it was \$12 billion.

The Agriculture Department says the revised figures reflect somewhat higher price estimates and expanded sales to the Soviet Union and other nations in Eastern Europe.

Export volume of wheat, other feed grains, and soybeans will be higher than last year, the department says, while rice exports should remain at the same level and cotton should show a decline. The department predicts wheat exports of 36.7 million metric tons—the highest volume ever.

Consumer Cooperatives May Get a Boost

Sen. Thomas J. McIntyre (D.-N.H.) and 19 other senators have come up with a way to use tax dollars to help those who want to form consumer cooperatives but lack the necessary capital.

A bill introduced by Sen. McIntyre and cosponsored by the others would create a National Consumer Cooperative Bank, which would lend money to groups—especially low-income groups—to start co-ops.

Under the bill, S. 2631, the bank's seed capital would come from preferred stock purchased by the government.

With the exception of farm and rural elec-

tric organizations, the initial financing of cooperatives in America traditionally has come from private sources—members or private organizations.

Sen. McIntyre and his cosponsors envision that the new consumer cooperatives would eventually be financed by private borrowings, much like the cooperative farm credit system now is.

If the new bank is authorized, a federal agency would be created to supervise it. The seed money involved would total \$1.25 billion, advanced over a four-year period. Of this sum, \$250 million would be earmarked for low-income groups.

What the New Campaign Rules Mean to Business

WITH 1976 SHAPING UP as one of the more political years in history, it is important—it is imperative—that businessmen realize that the rules for contributing money to candidates for federal office have changed.

The changes are significant.

When Congress revised the Federal Election Campaign Act in 1974, it established the Federal Election Commission to interpret, administer, and enforce the law. The commission, since last May, has issued advisory opinions to make it easier to understand and function within the law.

Although use of company money in direct contributions to campaigns for federal office remains illegal, corporations can take part in political affairs—and good corporate citizens will.

The election commission has confirmed and clarified corporations' right to establish political action committees which solicit political contributions from employees and shareholders. The corporations may designate the candidates who receive the money that is raised.

An important change in the law permits corporations holding federal government contracts to set up political action committees. Such companies previously were barred from doing so.

Other changes, however, restrict corporations.

For example, it is now illegal for a corporation to give an honorarium to or pay the expenses of a candidate for Congress who addresses a group substantially composed of the candidate's constituents.

Substantial, in this case, does not necessarily mean a majority.

Suppose your corporation sponsors a meeting and the congressman from your district is the speaker. Your company, according to the new rules, cannot give him an honorarium or pay his travel, meal, or lodging expenses.

This would be true whether or not the congressman is an announced candidate for reelection.

In the case of candidates for the presidency, announced or unannounced, corporations may not give honoraria or pay expenses under any circumstances.

Failure to comply with the law as interpreted by the election commission is a criminal offense.

Despite all the restrictions, the law provides an ample chance for businessmen to join in the political funding process.

They may, of course, contribute as individuals to the political parties and candidates of their choice—under limitations the new campaign regulations set on the size of contributions.

And there is much opportunity for effective work by political action committees.

To help corporations organize and operate these fund-raising groups, the Public Affairs Department of the Chamber of Commerce of the United States conducts conferences in cities across the country. The National Chamber also publishes a comprehensive book of "Guidelines for Corporate Political Action Committees." The price is \$10.

If you have any questions, we suggest you write: Public Affairs Department, Chamber of Commerce of the United States, Washington, D.C. 20062. The phone number is (202) 659-6152. Information will be given gladly.

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